



REPORT BY THE  
PRESIDENT'S TASK FORCE  
ON PUERTO RICO'S STATUS

MARCH 2011





THE WHITE HOUSE  
WASHINGTON

March 11, 2011

For over a century, the people of Puerto Rico and the United States have woven a lasting political, economic, social, and cultural relationship. Today, this relationship is strengthened and renewed by the more than four million U.S. citizens who call Puerto Rico home and the nearly equal number of Puerto Ricans living on the mainland who travel back to Puerto Rico for business, vacation, or visits to see family and friends. We honor their contributions to the Nation and welcome their vigorous participation in helping to develop, shape, and implement the recommendations presented in this Report.

When I signed the Executive Order that renewed the President's Task Force on Puerto Rico's Status, it was clear to me that Puerto Rico faces both great opportunities and considerable challenges in creating robust economic opportunity, in ensuring that its partnership with the Federal Government is fair and equitable, and in engaging a process that supports and respects Puerto Rico's self-determination. Today, I am pleased to receive the Task Force's Report and its recommendations because they provide an important road map to address the concerns and aspirations of the people of Puerto Rico.

I am encouraged that the Task Force took a serious look at a range of Puerto Rico's economic challenges and developed important recommendations for building competitive industries, investing in a modern renewable energy infrastructure, enhancing economic development, and improving the health and well-being of its citizens.

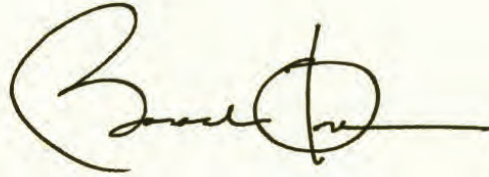
I am also pleased that the Puerto Rico Task Force has taken an honest look at key areas where the Federal Government's policies have been implemented inconsistently and recommends ways to bridge gaps in order to ensure a more effective partnership. And I remain committed to ensuring that all Federal programs treat the people they are intended to serve fairly.

Finally, at the heart of this Report and central to the lives of many Puerto Ricans, is the issue of the political status of Puerto Rico. I am firmly committed to the principle that the question of political status is a matter of self-determination for the people of Puerto Rico. I am pleased that the Task Force has outlined recommendations to enable the people of Puerto Rico to determine their political future. Both the President and Congress have roles to play to help Puerto Rico settle on its future status; I am committed to working with Congress to ensure that

a fair, clearly defined, and transparent process is available for the people of Puerto Rico to decide on their future for themselves.

I look forward to working with Congress, the people of Puerto Rico, their leaders, Task Force members, and other stakeholders to implement the recommendations outlined in this Report. The Task Force plans to take an active role in monitoring the work that Federal agencies are undertaking as a result of this process, and I look forward to celebrating the results of these important efforts.

Sincerely,

A handwritten signature in black ink, appearing to be "G. E. ...", written in a cursive style.



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# Executive Summary

The President's Task Force on Puerto Rico's Status (Task Force) was created by President Clinton in 2000. The Task Force's sole focus at that time was to examine proposals for Puerto Rico's future status and for a process by which Puerto Ricans could choose a status option. President Bush continued the Task Force's sole focus on the issue of political status. The Bush Administration's Task Force issued reports in 2005 and 2007.

On October 30, 2009, President Obama signed Executive Order 13517, which directed the Task Force to maintain its focus on the status question, but added to the Task Force's responsibilities by seeking advice and recommendations on policies that promote job creation, education, health care, clean energy, and economic development on the Island.

The current Task Force was convened in December 2009 with members from every Cabinet agency. It organized two public hearings in San Juan, Puerto Rico and Washington, D.C. to hear directly from a broad cross section of voices on the issues of status and economic development. Furthermore, hundreds of citizens from Puerto Rico and the mainland offered input by sending materials through the mail and electronically through a White House public comment e-mail address. Members of the Task Force and White House staff also met with congressional leaders, Puerto Rican elected officials, and other interested parties to hear their views.

This Report presents the Task Force's recommendations to the President and Congress. The first section provides recommendations relating to the question of Puerto Rico's status. Following the discussion of status, the Report is divided into three sections: (1) economic development overview and economic recommendations; (2) recommendations for building competitive industries; and (3) recommendations with respect to the island of Vieques. Each recommendation in these three sections sets out the specific issue, the recommendation designed to address that issue, and a realistic timeline for implementing the recommendation. This Executive Summary outlines the key recommendations within the Report.

## Status Recommendations

The Task Force's public hearings and meetings revealed that status remains of overwhelming importance to the people of Puerto Rico. This Task Force committed to taking a fresh look at issues related to status without being bound by prior analyses or limited in the issues on which it focused.

**Recommendation # 1:** The Task Force recommends that all relevant parties—the President, Congress, and the leadership and people of Puerto Rico—work to ensure that Puerto Ricans are able to express their will about status options and have that will acted upon by the end of 2012 or soon thereafter.

The government of Puerto Rico has discussed the possibility of holding a plebiscite this summer that would seek to ascertain the will of the people of Puerto Rico concerning status. Without taking a position on the particular details of this proposal, the Task Force recommends that the President and Congress support any fair, transparent, and swift effort that is consistent with and reflects the will of the people of Puerto Rico. If the process produces a clear result, Congress should act on it quickly with the President's support.

**Recommendation # 2:** The Task Force recommends that the permissible status options include Statehood, Independence, Free Association, and Commonwealth. The Report provides descriptions of these options.

**Recommendation # 3:** Although the Task Force supports any fair method for determining the will of the people of Puerto Rico, it has a marginal preference for a system involving two plebiscites. This two plebiscite system would allow the people of Puerto Rico first to vote on the question of whether they wish to be part of the United States or wish to be independent, and then to choose between the available status options, as limited by the outcome of the first vote.

**Recommendation # 4:** If a plebiscite is chosen, only residents of Puerto Rico should be eligible to vote.

This issue is a difficult one. But on balance, those who have committed to the Island by residing there have strong arguments that only they should vote on its future. In addition, the complexities of determining who is eligible to vote among those of Puerto Rican descent and managing a vote among a population dispersed throughout the United States and elsewhere would be daunting.

**Recommendation # 5:** The President and Congress should commit to preserving U.S. citizenship for Puerto Rican residents who are U.S. citizens at the time of any transition to Independence, if the people of Puerto Rico choose a status option that results in Puerto Rico's Independence.

**Recommendation # 6:** The President and Congress should ensure that Puerto Rico controls its own cultural and linguistic identity. The Task Force recognizes that, if Puerto Rico were admitted as a State, the English language would need to play—as it does today—a central role in the daily life of the Island.

**Recommendation # 7:** If efforts on the Island do not provide a clear result in the short term, the President should support, and Congress should enact, self-executing legislation that specifies in advance for the people of Puerto Rico a set of acceptable status options that the United States is politically committed to fulfilling.

This legislation should commit the United States to honor the choice of the people of Puerto Rico (provided it is one of the status options specified in the legislation) and should specify the means by which such a choice would be made. The Task Force recommends that, by the end of 2012, the Administration develop, draft, and work with Congress to enact the proposed legislation.

## Economic Recommendations

The Puerto Rican economy started to slow as early as 2006—two years earlier than the rest of the United States—leading to the sharpest economic contraction on the Island since the late 1980s. Per capita income remains at less than one-third that of the mainland, due in part to Puerto Rico's low employment rate and persistently low rate of labor force participation.

**Recommendation # 1: Capacity Building and Use of Federal Funds:** The Task Force proposes to consult with the Puerto Rico government to increase capacity in its civil service, particularly in the areas of grant and program management. Based on the results of the consultation, representatives of key Federal agencies should work with officials from Puerto Rico to identify an institution or training program that would provide the necessary skills to future professional civil servants.

## EXECUTIVE SUMMARY

The Task Force also recommends that Federal agencies that are engaged in partnerships with Puerto Rico collaborate on key strategies to strengthen the Island's capacity to manage Federal resources effectively and efficiently. These strategies should include: (1) identifying and aggregating capacity within each agency to develop teams able to interact most effectively with partners in Puerto Rico; (2) building on existing agency resources aimed at identifying how Federal funds are being used in Puerto Rico; (3) increasing coordination in strategies and activities of Federal agencies that provide grants on the Island in order to improve grantee performance and accountability; (4) forming interagency technical assistance teams consisting of officials from multiple agencies, including a mix of headquarters, field, and regional staff with deep knowledge and expertise of the Federal programs in Puerto Rico; and (5) participating in a National Resource Bank that will align and aggregate public and private funds to provide access to a "one-stop shop" of national experts with wide-ranging expertise to provide holistic support in various areas.

**Recommendation # 2: Housing Programs and Institutional Capacity:** The Task Force recommends that efforts recently commenced by the U.S. Department of Housing and Urban Development (HUD) and its field office in Puerto Rico culminate in a comprehensive housing plan for Puerto Rico in the near future.

HUD has been working with several local housing agencies to address longstanding problems in program administration and fund expenditures. Furthermore, a technical assistance provider has conducted a needs assessment on the organizational and staff capacity of agencies administering HUD programs in Puerto Rico. HUD should provide Puerto Rico with technical assistance to address the gaps in capacity identified by the needs assessment.

**Recommendation # 3: Investing in Education:** The U.S. Department of Education (ED) is working closely with education officials in Puerto Rico to ensure that students are able to receive a high-quality education. This means providing enhanced technical assistance in various areas, including best practices, maximizing available resources for implementing a robust education agenda, and grant management support. The Task Force recommends that ED continue to invest substantially in providing technical assistance for improving grant management and education program administration.

The Task Force recommends that ED continue to assess the efficacy and promise of these ongoing efforts, and consider expanding them, as needed, if they show promise of contributing to measurable gains in educational outcomes on the Island.

**Recommendation # 4: Child Tax Credit:** The Task Force recommends extending the child tax credit to allow households with one or two children to claim a partially refundable child tax credit to the degree they have labor market earnings. Extending the child tax credit to Puerto Rican residents with fewer than three children could help reduce poverty and strengthen the labor force in Puerto Rico, because the credit is conditional on labor earnings.

**Recommendation # 5: Incentives for Labor Market Participation:** The Task Force recommends exploring the feasibility of using the Puerto Rican employment credit as the basis for an expanded family and worker credit that would provide more resources to families with children while encouraging labor force participation.

The Office of Tax Policy at the U.S. Department of the Treasury should provide technical assistance in the design process for this expanded credit.

**Recommendation # 6: Improving the Workforce System to Support Job Creation and Economic Development:** The Task Force recommends that the U.S. Department of Labor (DOL) provide assistance to use Puerto Rico's existing mobile units and service points more effectively to increase the number of jobseekers and employers served.

**Recommendation # 7: Improving Workplace Compliance and Knowledge about Workers' Rights:** The Task Force recommends that: (1) existing interagency collaborative programs be prioritized and strengthened, and that these programs work on maximizing results and accountability through tools like joint evaluations and assessment programs; (2) DOL collaborate with Puerto Rico's agencies to make sure their compliance officers have the training required to accomplish their tasks effectively; (3) DOL enforcement agencies continue and deepen their outreach with community-based organizations to seek input, cooperation, and assistance in identifying issues affecting workers and mechanisms for collaborating with DOL agencies; and (4) DOL monitor Federal contractor workplaces to enforce conciliation agreements.

**Recommendation # 8: Expanding Employment Assistance Services to Veterans:** The DOL Office of Federal Contract Compliance Programs should increase employment for veterans in Puerto Rico by partnering with Puerto Rican government agencies, as well as local agencies and advocacy organizations serving veterans in Puerto Rico, in order to improve the overall quality of employment services to veterans.

Also, the U.S. Department of Veterans Affairs (VA) should collaborate with Puerto Rican government agencies to mentor and train recently unemployed veterans in Puerto Rico in order to reintegrate them into the workforce.

Finally, homeless veteran issues in Puerto Rico need to be fully assessed and require a broader discussion with Island leadership to encourage Puerto Rico's participation in DOL's Veterans' Employment and Training Service (VETS) homeless programs. The VETS Regional Office should provide technical assistance and grant management support to the known homeless service providers to encourage them to apply for homeless veterans grants as well as other DOL/VETS grants that may be available.

**Recommendation # 9: Improving Access to Employment for People with Disabilities:** The Task Force recommends that DOL assist in implementing the following: (1) deepen partnerships and build stronger relationships between DOL agencies and Puerto Rican government agencies, businesses, and community-based organizations to develop collaborative projects around issues such as customized employment to assist workers with disabilities; (2) facilitate communication and collaboration between DOL and Puerto Rican government agencies; (3) seek out financial literacy efforts, benefits planning, and other asset building efforts encouraging work, which can increase the prospects for employment for people with disabilities, as well as improve their long-term economic outcomes; (4) encourage policies that focus on competitive and customized employment strategies and flexibility in the workplace; and (5) review and strengthen the recruiting and hiring policies of Federal agencies operating in Puerto Rico to increase the employment of people with disabilities within the Federal workforce on the Island.

**Recommendation # 10: Medicaid:** The Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Reconciliation Act of 2010 (together, the Affordable Care Act) and the American Recovery and Reinvestment Act of 2009 (ARRA) each made substantial progress toward achieving a more equitable health care delivery system, including by making progress on Medicaid funding concerns for Puerto Rico. The Task Force recommends that the Administration work with Congress to build on this foundation and work toward further progress in achieving a more effective, efficient, and equitable health care system for Puerto Rico. This may include exploring options for improving health coverage and benefits, encouraging delivery system innovations, considering additional adjustments to the Medicaid funding cap, and supporting the potential establishment and operation of an Exchange.

The Task Force further recommends that Federal agencies work together to ensure that the Affordable Care Act provisions are implemented to maximize the availability of health services to Puerto Ricans.

**Recommendation # 11: Expanding Health Care Access in Puerto Rico:** The U.S. Department of Health and Human Services (HHS) should work with Puerto Rico to take the following steps to improve health and health care access in Puerto Rico: (1) explore Critical Access Hospital (CAH) designation for rural hospitals on the Island; (2) explore methods to better inform beneficiaries in Puerto Rico about Medicare Part B eligibility and the penalties for late enrollment, and explore using its demonstration authority to waive the late penalties during the education and outreach transition period and for a limited time after this period to evaluate whether the penalties significantly affect beneficiary selection as well as enrollment rates; and (3) prepare a report on the amount of Medicare disproportionate share hospital (DSH) payments needed to account for the higher cost of serving low-income beneficiaries in Puerto Rico, particularly in light of changes made to Medicare DSH payments and Medicaid eligibility in the Affordable Care Act.

Furthermore, the Task Force recommends that the U.S. Centers for Medicare & Medicaid Services conduct a study to assess to what extent Puerto Rico beneficiaries are unable to access affordable prescription drugs. This study should explore options to ensure access to necessary drug coverage in Puerto Rico.

**Recommendation # 12: Combating the Dengue Fever Outbreak:** The U.S. Centers for Disease Control and Prevention (CDC) should work with the Puerto Rico Department of Health (PRDOH) to build on their partnership to identify best practices, to develop and share mitigation strategies, and to monitor outbreaks of dengue fever.

**Recommendation # 13: HIV Outreach and Education Initiative for Veterans:** VA should continue raising Island-wide HIV/AIDS awareness and providing onsite clinic testing to ensure that veterans living in high-risk population areas are afforded an opportunity to be tested, treated, and enrolled into the VA health care system. The targeted outcome of this initiative should be 100 percent testing of veterans who consent to be tested and enrollment in health care services for any HIV-positive veteran residing in Puerto Rico who is eligible for services.

**Recommendation # 14: Drinking Water Systems:** The Task Force recommends that the U.S. Environmental Protection Agency (EPA) work with pilot communities to identify funding opportunities to install proper filtration and disinfection equipment and new ways to implement small drinking water purification systems. EPA would gain knowledge and insight working with these communities,

and could use those successful experiences as positive examples when working with other communities to provide safe drinking water.

**Recommendation # 15: Municipal Separate Storm Sewer Systems:** EPA should provide training for municipalities, which should focus on the permit requirements (issued pursuant to the Clean Water Act) that each municipality: (1) develop, implement, and enforce a program to detect and eliminate illicit connections on its storm water system; (2) address non-storm water discharges on the system; and (3) properly operate and maintain its system.

The training sessions should also provide information about potential funding from the Clean Water State Revolving Fund, which may provide assistance to fund necessary construction projects.

**Recommendation # 16: Building Capacity in the Puerto Rican Criminal Justice System:** Federal law enforcement agencies should significantly deepen their engagement with the Puerto Rican criminal justice system to provide necessary training and technical assistance. As a first step, the Task Force recommends that the U.S. Department of Justice (DOJ) identify high-level stakeholders in Puerto Rico to partner with DOJ, the U.S. Department of Homeland Security (DHS), and other Federal law enforcement authorities to begin the process of building consensus for implementing appropriate reforms of the justice system in Puerto Rico.

To advance this effort, DOJ, DHS, and other Federal law enforcement agencies should identify a research partner in Puerto Rico and commence a research-based needs assessment of various public safety sectors, including the police department, court system, juvenile system, victim services, prosecutorial system, and other aspects of the public safety system.

**Recommendation # 17: Development of Formal Interagency Public Safety Coordination:** The Task Force recommends that the various Federal agencies with security and law enforcement responsibilities convene a working group to begin a formal, interagency process of coordination and collaboration regarding Puerto Rico's security and safety. The Administration should invite Puerto Rico to designate a representative from the Governor's office, or from a cabinet-level agency, to this interagency working group.

**Recommendation # 18: Connecting Puerto Rico to Broadband Access:** Following the award of the Broadband Technology Opportunities Program grants to Puerto Rico from the U.S. Department of Commerce (DOC) National Telecommunications and Information Administration (NTIA), the Task Force recommends that NTIA help develop an interagency team to assist with capacity building efforts. NTIA's efforts should include the implementation of an oversight plan designed to ensure that awardees complete projects on time and on budget, as well as to prevent waste, fraud, and abuse. The Task Force recommends that NTIA complement these efforts with appropriate capacity building strategies on the Island.

**Recommendation # 19: Naval Station Roosevelt Roads (Ceiba, Puerto Rico):** The Task Force recommends that a Federal team consisting of the U.S. Department of Agriculture, the U.S. Department of the Interior (DOI), the Department of Defense Office of Economic Adjustment, the U.S. Department of Transportation, DOC, HHS, HUD, and EPA convene to coordinate Federal support (both technical and financial) for the Local Redevelopment Authority's specific infrastructure requirements.

**Recommendation # 20: Economic Empowerment Zones:** The original Empowerment Zone program was launched in 1994 as a combination of tax incentives and grants for distressed communities. The 2012 budget includes a proposal for a new, national competition to identify 20 Growth Zones, which are designed to build on the successes of Empowerment Zones. The zones will receive flexible grants for planning, seed capital, technical assistance, and other activities through the DOC Economic Development Administration (EDA), Federal program flexibility, and two tax incentives: an employment incentive and an investment incentive. As the Obama Administration further develops this proposal, the Task Force recommends that zones in Puerto Rico be eligible to apply for the designation to take advantage of the benefits that are associated with it.

## Recommendations for Building Competitive Industries

Once the building blocks of growth are in place, Puerto Rico must look forward to develop a competitive set of industries that will drive growth and job creation in the decades to come. While we expect Puerto Rico's own leadership and local stakeholders to be best positioned to articulate an economic development strategy, the Task Force has identified three industries that could potentially drive long-term growth and job creation on the Island. In particular, Puerto Rico has a solid foundation on which to grow its clean energy, its role as an economic and tourism hub and gateway to the Caribbean and Latin America, and its health care industries.

**Recommendation # 1: Renewable Energy and Energy Efficiency Strategy for Puerto Rico:** Puerto Rico is well positioned to become a model for implementing efficient and sustainable green energy projects. The Task Force therefore recommends that the President and Congress work closely with, and support, Puerto Rico's efforts to fundamentally change the Island's approach to energy and the environment.

The Task Force's recommendation is divided into two sections, the second of which has two phases, which are roughly equivalent to short- and long-term goals.

First, the U.S. Department of Energy (DOE), along with Puerto Rican and the U.S. Virgin Islands (USVI) government agencies, should participate in a feasibility study to examine the technical and economic potential of a subsea electrical interconnection between Puerto Rico and USVI. Furthermore, to advance discussions in the Caribbean region on the potential for subsea electrical interconnection under the Energy and Climate Partnership of the Americas, the Department of State, through a grant to the Organization of American States, should fund a pre-feasibility study to examine an interconnection between Puerto Rico and St. Kitts and Nevis.

Second, the Federal Government should help Puerto Rico transform its energy economy. The first phase of this recommendation is that the Federal Government, including DOE, should support efforts by Puerto Rico to change its energy regulatory structure. Such an overhaul will require collaboration among Puerto Rico's government agencies, key members of the Puerto Rico Legislative Assembly, and the private sector. At the outset, the Task Force recommends that DOE work with Puerto Rico's Executive Branch Reorganization and Modernization Committee, which was created in 2009 to reform Puerto Rico's executive branch. This Committee was empowered to create new agencies, which could include a public utilities commission with regulatory and enforcement power.

The second phase of this recommendation is that DOE assist Puerto Rico in developing a comprehensive plan for a new energy economy. DOE has developed a comprehensive energy deployment approach, called the Integrated Deployment model, that addresses the entire energy system for any given location. The mission of this approach is to accelerate market adoption of renewable energy solutions to power homes, businesses, and vehicles. The Task Force recommends that, consistent with the completion of the first phase, Puerto Rico, with assistance from DOE, assess the feasibility of applying the Integrated Deployment model to the Island. Assuming Puerto Rican stakeholders make a commitment to the project, the first step should be to establish an agreement with Puerto Rico to move toward an aggressive, cost-effective goal for energy efficiency and renewable energy implementation.

**Recommendation # 2: Integrated Bio-Refinery Project:** To bolster Puerto Rico's clean energy leadership potential, DOC Minority Business Development Agency (MBDA) is helping develop a public-private partnership called the Integrated Bio-Refinery Project (IBP) of Puerto Rico. IBP will produce high value bioproducts, especially biofuels, using locally available biomass such as post-harvest agricultural "left-overs." Locally produced biofuel will reduce the Island's dependence on imported fossil fuel in the near term, while non-fuel products (such as human nutritionals, specialty chemicals, and organic feeds and fertilizer) hold significant worldwide export potential.

The Task Force recommends that MBDA continue to assist Puerto Rico in creating an innovation economy that addresses the local, national, and global needs for clean, renewable energy while also creating jobs. In addition, using the private sector and other government agencies, MBDA would help find ways of financing the project.

**Recommendation # 3: Renewable Energy Tax Credits:** Two ARRA programs provide grants and tax credits for renewable energy. The section 1603 program provides grants to specified energy properties that are placed into service by a particular date, with the goals of creating and retaining jobs, as well as expanding the use of clean and renewable energy. The section 48C program provides tax credits for qualified investments in advanced energy projects to support the building and equipping of new, expanded, or retooled factories that manufacture the products needed to power the green economy.

The Task Force supports the extension of the 1603 and 48C programs to further advance the goal of facilitating the development of clean and renewable energy. The Task Force recommends treating energy entities in Puerto Rico and their U.S. subsidiaries as U.S. companies to allow their participation in these programs.

**Recommendation # 4: Assessing Potential Enhanced Access for Luis Muñoz Marín International Airport:** The Task Force recommends that DHS Customs and Border Protection conduct a resource impact analysis assessing facilities, personnel, and information technology resources that would be required to establish secure in-transit programs for U.S. airports. This analysis, along with other factors, would inform DHS's decision on the future of in-transit programs.

**Recommendation # 5: Travel and Tourism:** The Task Force makes several recommendations to strengthen Puerto Rico's travel and tourism industry. First, the Office of Travel and Tourism Industries (OTTI) in the DOC International Trade Administration should work intensively with the Puerto Rico Tourism Company and the Puerto Rico Ports Authority to use the Survey of International Air Travelers research program to deliver a custom report. That report could assist in developing international market-

ing efforts and potential air service routes for the airport. Second, Puerto Rico should be more robustly featured on [DiscoverAmerica.com](http://DiscoverAmerica.com), a multilingual consumer website that now serves as the United States' official travel and tourism website.

The Travel Promotion Act of 2009 established the Corporation for Travel Promotion (CTP), a private, nonprofit entity to promote and enhance tourism to the United States and to communicate U.S. entry policies. OTTI should work closely with the Puerto Rico Tourism Company and the new CTP to develop and execute specific goals for CTP to advance tourism to Puerto Rico.

Also, the Executive Director of the Puerto Rico Tourism Company should apply to serve on the Travel and Tourism Advisory Board, an advisory body to DOC, and on the Board of Directors of CTP. Finally, DOC announced that the Market Development Cooperator Program (MDCP), under which DOC partners with nonprofit industry organizations to develop, maintain, and expand foreign markets for nonagricultural goods and services produced in the United States, may have funding for fiscal year 2011. The Task Force encourages the Puerto Rico Tourism Company to apply to DOC for MDCP funding should any funding opportunities be announced.

In addition, EPA is working with the Puerto Rico Tourism Company and other local agencies to develop a comprehensive plan for green tourism in Puerto Rico.

**Recommendation # 6: National Export Initiative:** The Task Force recommends that the U.S. Export Assistance Center in San Juan help improve the Puerto Rico export initiative, in consultation with the Puerto Rico Secretary of Economic Development and Commerce.

**Recommendation # 7: Puerto de Las Américas (Port of the Americas):** Puerto de Las Américas (POA) is a strategic project with the potential to generate investments and to foster economic development in the entire Caribbean region. The expansion of the Panama Canal may substantially increase ocean borne, commercial, containerized cargo activity in Puerto Rico. Officials from DOC have met with Puerto Rican officials to discuss the potential of this opportunity to generate jobs. Furthermore, POA's Executive Director and DHS representatives have discussed applicable security legislation to ensure a secure environment for port operations.

The Task Force recommends that DOC and DHS build on these efforts by working with Puerto Rican officials to fully utilize POA's strategic location for moving U.S. cargo through the Panama Canal to the Caribbean and Atlantic and Pacific Oceans. These efforts should help meet President Obama's goals in the National Export Initiative and ensure, as with every port in the United States, that the safety and security of POA continue to be monitored.

**Recommendation # 8: Creating the Caribbean's Health Science and Research Center in Puerto Rico:** Puerto Rico has many of the infrastructure elements necessary to develop a regional health cluster as an engine for economic development. The Task Force's recommendation to create a health science and research center helps meet both the health and economic challenges confronting Puerto Rico.

To continue the process already started by Puerto Rico, the Task Force recommends that: (1) DOC EDA, the U.S. Office of Management and Budget, and HHS conduct a cluster analysis to determine the feasibility of establishing a Puerto Rico Health Cluster as part of the Federal Government's sector development plans; (2) CDC consider expanding its work with the U.S. Small Business Administration (SBA), EDA, and

private sector developers to provide financing for medical services and technology in Puerto Rico; and (3) DOL consider directing workforce development funding to expand training of bilingual health professionals.

**Recommendation # 9: Updating Puerto Rico's Gross Domestic Product Methodology to U.S. Standards:** The calculation of Puerto Rico's gross domestic product (GDP) does not currently follow the standards used for GDP for the rest of the United States. The Task Force recommends that DOC assist Puerto Rico in updating its GDP methodology by conducting a comprehensive assessment and providing technical recommendations to the Puerto Rico government on statistical modernization, using existing resources.

## Vieques Recommendations

There is much that the Federal Government can do to improve the quality of life for the people of Vieques. The Task Force's recommendations encompass issues ranging from health care to environmental issues to tourism.

**Recommendation # 1: Superfund Cleanup and Job Training:** The cleanup of the former military areas on Vieques is ongoing and expected to last another decade. Since 2005, the U.S. Department of the Navy (Navy) has documented over 1,700 trespassing incidents into waters around the former bombing range.

The Task Force recommends that the Navy accelerate the pace of the cleanup of unexploded ordnance and address the issue of underwater unexploded ordnance. The Task Force further recommends that trespassing issues, which are more difficult to resolve because of jurisdictional limitations, be addressed through a coordinated effort among the Navy, U.S. Coast Guard, EPA, DOC National Oceanic and Atmospheric Administration, DOI, and the government of Puerto Rico to develop a multiagency plan to keep trespassers off the contaminated land and out of the affected waters.

**Recommendation # 2: Vieques Sustainability Task Force:** EPA has recently established the Vieques Sustainability Task Force to coordinate Federal and local efforts for comprehensive cleanup and remediation at the closed military range on Vieques. In addition, this task force will develop and implement policies that boost sustainable economic growth and job creation on Vieques.

The relevant Federal agencies, such as EPA, Navy, DOI, DOE, SBA, and HHS, should continue to develop and empower the Vieques Sustainability Task Force to expedite resolution of some of the longstanding issues in Vieques and to ensure that Federal projects to address the challenges faced by Vieques are implemented in a timely fashion.

**Recommendation # 3: Solid Waste Strategy:** EPA launched the Puerto Rico Recycling Partnership in collaboration with the Puerto Rico Solid Waste Management Authority and the Puerto Rico Environmental Quality Board. The main goal of the partnership is to establish a comprehensive waste reduction, composting, and recycling program throughout Puerto Rico. The Task Force recommends that the work of the partnership include Vieques.

**Recommendation # 4: Health Care for Residents of Vieques:** HHS should work closely with the governments of Puerto Rico and Vieques to improve the quality of health care for the residents of Vieques.

## EXECUTIVE SUMMARY

The Task Force believes that a needs assessment should be completed to identify the most effective and efficient way to ensure that the people of Vieques receive the care, including expertise in environmental medicine, that they need.

In the near term, the Task Force recommends that HHS assist Vieques and PRDOH in exploring two programs that could improve health care on Vieques. First, HHS and Puerto Rico should explore funding for health centers under the Health Center Program established by section 330 of the Public Health Service Act. Vieques could partner with an existing health center to apply for health center funding. Second, HHS and Puerto Rico should explore CAH designation. Certain facilities participating in Medicare can become critical access hospitals, which are eligible for reimbursement based on 101 percent of reasonable costs for treatment of Medicare beneficiaries. The HHS Regional Office should continue to work with PRDOH to determine if the Centro de Salud de Familia facility in Vieques meets the statutory requirements for CAH designation.

**Recommendation # 5: Clean and Renewable Energy Options:** The Task Force recommends that DOE begin exploring renewable energy opportunities to make Vieques a Caribbean Green Island. As a first step, DOE should continue its work with the Puerto Rico and Vieques governments to reduce the amount of energy used through efficiency measures such as solar water heaters, weatherization improvements, appliance rebate programs, and other proven, cost-effective technologies.

In addition, the Task Force recommends that DOE, with the support of the Vieques Sustainability Task Force, work with Vieques to consider clean, renewable energy options that would lower electricity rates for businesses and consumers and create new jobs. Such options should include distributed renewable generation that could provide backup power in emergency situations and deployment of highly energy efficient vehicles.

**Recommendation # 6: Watershed Protection of Bioluminescent Bay:** The Task Force recommends that EPA develop a plan to protect Mosquito Bay, an ecologically unique bioluminescent bay in Vieques. EPA has solicited proposals from eligible entities for the development of site-specific innovative demonstration projects that would reduce sediment, pesticide runoff, and/or nutrient loading in Mosquito Bay.

**Recommendation # 7: Green Hospitality Initiative:** EPA has launched a green hospitality initiative in partnership with Puerto Rican government agencies, such as the Puerto Rico Tourism Company. The Task Force recommends that Vieques be included in the agreement to encourage third-party green certification for its hotels and restaurants.

### Next Steps for the Task Force

The existence of the Task Force and its mandate to submit a report to the President and Congress has energized many Federal agencies into developing collaborations with Puerto Rico, which, in turn, have resulted in meaningful projects with the potential to advance infrastructure and economic development on the Island.

Task Force members will work on the implementation of these recommendations and will report back to the Task Force as a whole on their progress. The Task Force will monitor execution and completion of the recommendations laid out in this Report. Furthermore, the Task Force looks forward to further

study and implementation of additional economic recommendations it received during the course of its consultation with stakeholders in Puerto Rico and on the mainland.

In order to advance the conversation on some of the key sectors that the Task Force has identified as priorities, the Task Force plans to conduct at least two summits in Puerto Rico over the next year to focus on individual subject areas. To demonstrate its commitment to this next step, the Task Force plans to convene a summit on education during the first half of 2011, with senior-level participation from Cabinet agencies, as well as key officials and stakeholders from Puerto Rico. The Task Force anticipates that this will be the first of several events that continue the important work of ensuring that the Obama Administration is deeply engaged in the advancement of Puerto Rico for the long term.



## History of the President's Task Force on Puerto Rico's Status



The President's Task Force on Puerto Rico's Status (Task Force) was created in December 2000 by President Clinton through Executive Order 13183. As established, the Task Force's sole focus was to examine proposals for Puerto Rico's future status and for a process by which Puerto Ricans could choose a status option. On December 3, 2003, President Bush amended Executive Order 13183, slightly modifying the Task Force's membership and changing the reporting requirement from at least annually to at least once every 2 years. President Bush continued the Task Force's sole focus on the issue of political status. The Bush Administration's Task Force issued reports in 2005 and 2007.

On October 30, 2009, President Obama signed Executive Order 13517, which amended Executive Order 13183. President Obama directed the Task Force to maintain its focus on the status question, but added to the Task Force's responsibilities by seeking advice and recommendations on policies that promote job creation, education, health care, clean energy, and economic development on the Island.

The current Task Force was convened in December 2009 with members from every Cabinet agency. It began to collect data on existing and upcoming agency programs and initiatives in Puerto Rico. Consistent with the President's commitment to open and transparent government, the Task Force organized two public hearings in San Juan, Puerto Rico and Washington, D.C. to hear directly from a broad cross section of voices on the issues of status and economic development. The first public forum, which was held in San Juan on March 3, 2010, consisted of a morning roundtable featuring Puerto Rican

community leaders and academics, and an afternoon public hearing during which members of the public addressed the Task Force directly.

The second public forum was hosted at the White House on May 25, 2010, and consisted of breakout sessions on capacity building and sustainable development, job creation and growth, and security, as well as panel discussions with experts on the issue of status and the challenges facing Vieques. A diverse group of leaders also provided testimony. Hundreds of citizens from Puerto Rico and the mainland offered additional input by sending materials through the mail and electronically through a White House public comment e-mail address. Members of the Task Force and White House staff also met with congressional leaders, Puerto Rican elected officials, and other interested parties to hear their views.



# Overview of the Relationship Between the United States and Puerto Rico

The United States and Puerto Rico continue to nurture an economically viable, mutually beneficial relationship that dates back to 1898 when, as a result of the Treaty of Paris following the Spanish-American War, Spain ceded Puerto Rico to the United States. Congress enacted the Organic Act of 1900 (also known as the Foraker Act, for its author (31 Stat. 77)) to establish a limited popular government in Puerto Rico. The Island was led by a governor appointed by the President and an elected House of Representatives.

Issues related to the status of Puerto Rico as part of the United States arose almost immediately. In 1901, the Supreme Court's decision in *Downes v. Bidwell*, the leading opinion of the so-called *Insular Cases*, held that, for purposes of the Constitution's Uniformity Clause, Puerto Rico was not part of the United States. Justice White in his concurrence laid the foundation for the concept of "incorporation" when he opined that Congress has discretion to decide whether and when to incorporate a territory into the United States. He viewed Puerto Rico as an "unincorporated" territory and thus concluded that the U.S. Constitution and the Bill of Rights did not apply in their entirety to the Island. Subsequent Supreme Court cases created a case-by-case framework for determining which constitutional provisions and Federal laws applied to unincorporated territories.

In 1917, the U.S. Congress declared Puerto Rico an "organized but unincorporated" territory through the Jones Act (39 Stat. 951).<sup>1</sup> Under this Act, U.S. citizenship was granted to people born in Puerto Rico. The Act also revised the structure of the legislative branch to include both a Senate and a House. The governor continued to be appointed by the President, and the Act gave both the President and Congress authority to override Puerto Rican legislation in certain instances. Both the Foraker and Jones Acts stipulated that Federal laws of the United States generally were to apply to the Island.

In 1947, President Truman signed the Elective Governors Act (P.L. 80-362), which, for the first time, authorized the people of Puerto Rico to elect their own governor. Puerto Rico's first popularly elected governor, Governor Luis Muñoz Marín, was elected in 1948. Governor Muñoz Marín's campaign called for developing a constitution for Puerto Rico, which he believed would provide a platform for economic reform and fundamental political change. He enjoyed strong support from the Truman Administration and Congress. In 1950, Congress enacted the Puerto Rican Federal Relations Act (P.L. 81-600), authorizing Puerto Rico to draft its own constitution on matters of purely local concern through a constitutional convention process that was required to address two key elements: the draft constitution needed (1) to establish a republican form of government; and (2) to include a bill of rights.

The Assembly, under the leadership of Governor Muñoz Marín, met for several months and completed the constitution. It was ratified by the people of Puerto Rico on March 3, 1952. It was subsequently approved, subject to conditions, by Congress and signed by President Truman as Public Law 82-447 (66 Stat. 327) on July 3, 1952. The Constitutional Convention of Puerto Rico reconvened on July 10, 1952, and approved the conditions established by Public Law 82-447. Governor Muñoz Marín declared the constitution in effect on July 25, 1952 (known as "Constitution Day" in Puerto Rico). This process, approved

by the people of Puerto Rico by referendum, created what is now known as the “Commonwealth of Puerto Rico” (or in Spanish, “Estado Libre Asociado de Puerto Rico”).

Current relations between Puerto Rico and the United States continue to be defined by the U.S. Constitution and the Puerto Rican Federal Relations Act. National government matters, such as currency, defense, foreign relations, and interstate commerce, are within the jurisdiction of the Federal Government. Local government is run by a popularly elected governor and a bicameral legislature. Puerto Rico is represented in the U.S. Congress by the Resident Commissioner, who is elected by the people of Puerto Rico every 4 years and serves in the House of Representatives as a nonvoting member. The policy of the Federal executive branch has long been that Puerto Rico’s status should be decided by the people of Puerto Rico. President Obama has reaffirmed that policy. Nevertheless, if a change of status is chosen by the people of the Puerto Rico, such a choice must be implemented through legislation enacted by Congress and signed by the President.



## Status Overview



This “Status Overview” section is not meant to be an exhaustive analysis of the political status deliberations that have transpired between the people of Puerto Rico and the U.S. Government for over a century. Rather, this section is intended to help frame the following discussion on the Task Force’s status recommendations. The Task Force felt that a brief historical summary of the status issues would assist in better understanding the recommendations.

The issue of Puerto Rico’s status has been discussed and debated as far back as the Treaty of Paris. The Supreme Court’s Insular Cases interpreted the U.S. Constitution and Federal law on a number of questions related to Puerto Rico. Those decisions, however, have been viewed negatively on the Island and, in any event, do not address the development of the relationship of Puerto Rico with the United States. It has been the position of several previous administrations that the question of Puerto Rico’s status should be answered by the people of Puerto Rico. Nonetheless, ascertaining a clear answer has proved elusive.

There have been several efforts to determine the will of the people of Puerto Rico, since Puerto Rico adopted the Commonwealth system in 1952. In 1967, the Puerto Rico legislature initiated a referendum in an effort to examine both the interest of the people of Puerto Rico and the will of Congress to settle the political status debate. That referendum resulted in support for the Commonwealth option (60.4 percent in favor).

In 1970, the Nixon Administration created the first Ad Hoc Advisory Group on Puerto Rico. This group met in 1970 and 1971 to consider the feasibility of allowing U.S. citizens in Puerto Rico to vote in Presidential elections, and ultimately recommended that Puerto Rican residents should be allowed to do so. Congress, however, rejected that recommendation. The second Ad Hoc Advisory Group, commissioned jointly by President Nixon and Governor Hernández Colón in September 1973, was responsible for determining the extent of the applicability of Federal laws and regulations to Puerto Rico in light of its Commonwealth status. That advisory group drafted “compact” legislation, which provided Puerto Rico with greater autonomy than had been previously granted. Due to bipartisan opposition, that legislation was not moved out of committee.

“It is for this precise reason that legislation affecting Puerto Rico’s economy must be status neutral. This neutrality would allow our economy to develop a solid base upon which the local economy could develop and grow and it will provide investors with the needed confidence to consider investing in the island until a permanent status is reached....Puerto Rico economic growth is severely affected by this most important issue, that of resolving the island’s final and permanent status. Status neutral legislation would only provide for a transitory, temporary solution. The status solution is needed to provide for meaningful economic growth and improved standards of living, which Puerto Rico desperately needs.”

—Puerto Rico Civic Leader, Testimony to the Task Force

The second Ad Hoc Group continued into the Ford Administration and, on October 1, 1975, submitted its final, bilingual report: Compact of Permanent Union between Puerto Rico and the United States: Report of the Ad Hoc Advisory Group on Puerto Rico. The compact envisioned by the Ad Hoc Group would have revised and made permanent the open-ended relationship established by legislation in 1950. On December 31, 1976, President Ford rejected the Ad Hoc Group’s recommendations following a review by his Cabinet, stating that he believed that Statehood was a more appropriate step for Puerto Rico. Accordingly, he announced a new commission to examine the issues and implications of Puerto Rico achieving Statehood. He recommended that Congress enact legislation toward that end, but no action was taken.

In 1978, the Carter Administration developed an “alternative futures” policy, which suggested that the executive branch would support all possible Island statuses as legitimate and would not advocate for a specific status option. However, Congress did not pass legislation offering those alternatives to the people of Puerto Rico.

## STATUS OVERVIEW

President George H.W. Bush, in his address before Congress on February 9, 1989, called on Congress to authorize a referendum to allow Puerto Ricans to decide their political future and offered that he favored Statehood. He also issued a memorandum on November 30, 1992, establishing the current administrative relationship between the Federal Government and Puerto Rico. This memorandum directed “all Federal departments, agencies, and officials, to the extent consistent with the Constitution and the laws of the United States, henceforward to treat Puerto Rico administratively as if it were a State, except insofar as doing so with respect to an existing Federal program or activity would increase or decrease Federal receipts or expenditures, or would seriously disrupt the operation of such program or activity.”<sup>2</sup> President Bush’s directive provided that it would remain in force until, according to the memorandum, Congress enacts legislation to alter the political status of Puerto Rico in accordance with the will of the people of Puerto Rico.

In 1993 and 1998, the Puerto Rico government again enacted legislation to conduct plebiscites. The 1993 results were: 48.6 percent selecting the Commonwealth option, 46.3 percent for Statehood, and 4.4 percent for Independence.

The meaning of the 1998 plebiscite has continued to produce debate. The “none of the above” option, supported by the Popular Democratic Party, won 50.3 percent of the vote (versus Statehood with 46.5 percent, Independence with 2.54 percent, Free Association with 0.29 percent, and Commonwealth with 0.06 percent). Some have interpreted these results as a protest vote on the plebiscite choices, given that there was no guarantee that Congress was obligated to implement any of the outcomes and that the Commonwealth party did not agree with the definition of Commonwealth on the ballot. Notwithstanding how the results have been interpreted, the plebiscites have shown how important the issue of status is to the people of Puerto Rico: voter turnout has generally hovered around 70 percent.

The issue of status was the sole focus of the Task Force established by President Clinton. President George W. Bush maintained this focus on status. His Administration’s Task Force reports in 2005 and 2007 focused on two issues: (1) analyzing the constitutionality of certain status options; and (2) recommending a specific form of plebiscite to determine the views of the people of Puerto Rico on status.





## Task Force's Status Recommendations

“A critical question which the people of Puerto Rico have consistently asked of the United States government is: What are the status options available for future relations with the United States? In the past, efforts to address Puerto Rico’s political status have been hampered by a failure of the Federal government to clearly define those status questions and that failure has undermined Puerto Rico’s efforts to accurately assess the views of the voters.”

—Honorable Jeff Bingaman and Honorable Lisa Murkowski,  
United States Senators, Letter to the President

The issue of Puerto Rico’s status—including constitutionally sound status options, methods of determining the will of the people of Puerto Rico, and questions concerning the authority of Congress to affect citizenship rights of the people of Puerto Rico—has been the primary focus of prior Task Force efforts. At the outset of its work, this Task Force heard two arguably contradictory points of view: (1) status has been reviewed constantly over the last few decades and there is nothing left to say about it; and (2) President Obama’s expansion of the Task Force’s mission beyond status was an attempt to avoid dealing with the difficult issue of status. Neither has proven to be true.

The Task Force’s public hearings and meetings revealed that status remains of overwhelming importance to the people of Puerto Rico, and there remains a great deal to be said on the topic. Moreover, the Task Force committed to taking a fresh look at issues related to status without being bound by prior analyses or limited in the issues on which it focused. The Task Force further committed to moving resolution of the status issue forward in a meaningful way with the goal of resolving it on a short timetable. The recommendations set forth below are directed toward that end.

**Recommendation # 1: The Task Force recommends that all relevant parties—the President, Congress, and the leadership and people of Puerto Rico—work to ensure that Puerto Ricans are able to express their will about status options and have that will acted upon by the end of 2012 or soon thereafter.**

It has long been the policy of the Federal executive branch that Puerto Ricans should determine for themselves the future status of the Island. The Task Force recognizes that the people of Puerto Rico may decide to express their will with respect to status through a plebiscite, constitutional convention, or other means. The government of Puerto Rico has discussed the possibility of holding a plebiscite this summer that would seek to ascertain the will of the people of Puerto Rico concerning status. Without taking a position on the particular details of this proposal, the Task Force recommends that the President and Congress support any fair, transparent, and swift effort that is consistent with and reflects the will of the people of Puerto Rico. If the process produces a clear result, Congress should act on it quickly with the President’s support.

The Task Force believes that it is time for Puerto Rico to take the next step in the history of its status and its relationship to the rest of the United States. The issue of status has dominated the politics and life of the Island for decades, and many made a persuasive case to the Task Force that uncertainty about status and skirmishing about the issue was holding the Island back. However one views the strength of these claims, the Task Force believes that immediate and true forward movement on the issue of status would greatly benefit the people of Puerto Rico. Something must be done to fulfill the desire of the people of Puerto Rico to change status or to establish, for some period of time, that they have chosen no change in status.

**Recommendation # 2: The Task Force recommends that the permissible status options include Statehood, Independence, Free Association, and Commonwealth.**

Prior Task Force reports have identified and discussed constitutionally permissible status options. As discussed above, the Task Force took a fresh look at the issues, including the constitutional questions central to prior reports, and concluded that the permissible status options include Statehood, Independence, Free Association, and Commonwealth.

Each status option is discussed below, along with a brief mention of some of the issues that would be raised by a choice of that option.

**Statehood**

Statehood would result in several significant consequences for Puerto Rico and the United States, only a few of which are laid out here. If Puerto Rico became a State, citizens of Puerto Rico would be entitled to full representation in Congress, would be permitted to participate in Presidential elections, and would be eligible to receive Federal economic assistance identical to that granted to citizens of other States. This economic benefit would be offset, to some degree, by the impact of the Tax Uniformity Clause of the U.S. Constitution, which would prevent Congress from treating Puerto Rico differently for purposes of Federal income taxes. Currently, Puerto Rican residents do not pay Federal taxes on income generated in Puerto Rico.

Congress has the ultimate authority over admission of States, and it could impose requirements on Puerto Rico prior to admission. Among other things, Congress could establish a transition period during which, for example, Federal funding could increase incrementally until parity with other States was reached and the Federal income tax could be phased in for Puerto Rican residents. Finally, including Puerto Rico as a State would affect the composition of Congress, as the new State would be entitled to two Senators as well as representation in the House of Representatives. To accommodate Puerto Rico's representation in the House, Congress could increase the size of the House, reapportion the 435 representatives to include Puerto Rico, or temporarily increase the size of the House until reapportionment at the next census.

**Independence**

For purposes of this Report, the Task Force has assumed that Independence refers to full Independence from the United States with the prospect of government-to-government negotiation of a treaty between the United States and a new independent nation of Puerto Rico with all issues on the table. Congress would need to pass specific legislation to allow the creation of a fully independent nation of Puerto Rico.

As discussed below, a key issue with respect to Independence as a status option is the impact on Puerto Ricans' U.S. citizenship at the time of Independence. Citizenship is not, however, the only question raised by Independence. A host of issues, such as restrictions (or lack thereof) on travel to the mainland, immigration regulation, security arrangements, and economic aid would need to be specified in enabling legislation or negotiated by a subsequent treaty. It is likely that a significant transition period from the Island's current status to its future as an independent nation would be needed.

### Free Association

Free Association is a type of independence. A compact of Free Association would establish a mutual agreement that would recognize that the United States and Puerto Rico are closely linked in specific ways as detailed in the compact. Compacts of this sort are based on the national sovereignty of each country, and either nation can unilaterally terminate the association.

Free Association would provide for an independent Puerto Rico with a close relationship to the United States, similar in status to the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. The United States provides defense and various forms of economic aid to these countries and exercises control over their defense and security policy. Their citizens may work and attend schools in the United States, but they are not U.S. citizens. As noted below, the Task Force recommends that at the time of any transition to a freely associated state, all Puerto Rican U.S. citizens retain their U.S. citizenship.

As with other options, Free Association could be accompanied by a transition period in which the United States would continue to administer certain services and provide economic assistance for a period of time. This option would require the Administration to consider border security and other security implications.

### Commonwealth

The Commonwealth option was the subject of much debate before the Task Force. The Commonwealth is commonly referred to as the "status quo" option. At the same time, however, advocates have argued for the possibility of an "enhanced" Commonwealth that would give greater political autonomy to the Island, including, in some instances, a form of autonomy bordering on Independence.

Prior Task Force reports have focused their constitutional analyses on the Commonwealth option, in particular on whether some version of "enhanced" Commonwealth was consistent with the U.S. Constitution. The results of those reports have been embraced by some and decried by others. The Task Force and the Administration committed to taking a fresh look at status, including the question of enhanced Commonwealth.

The Task Force's review has led it to a number of conclusions, which both reaffirm and depart from past Task Force reports. First, there has been confusion about what the Commonwealth option is, and is not. The use of terms like "status quo" and "enhanced Commonwealth" do not provide a complete picture for the people of Puerto Rico. Some have commented that the notion of "status quo" suggests that the laws affecting Puerto Rico cannot or will not be changed. But that is not the case; indeed, Congress enacts laws every year that have profound effects throughout the country, including on the Island.

Under the Commonwealth option, Puerto Rico would remain, as it is today, subject to the Territory Clause of the U.S. Constitution. The present Commonwealth government system in Puerto Rico has its genesis in a set of legislative enactments (whether characterized as legislation or a compact). Currently, Puerto Rico has significant local political autonomy. The Task Force believes that such autonomy should never be reduced or threatened.

Second, while some have argued that Commonwealth is not an appropriate option because it is said to be “territorial” or “temporary” in nature, the Task Force believes that it must be an available option for the people of Puerto Rico. Although prior plebiscites have been unclear in many respects, there can be no doubt that a substantial percentage of the population has indicated support for some version of Commonwealth. The Task Force recognizes that some have criticized those prior plebiscites because of the lack of clarity about the definition of the Commonwealth option. The Task Force believes the remedy for this concern is to make the options as clear as possible before the next vote by the people of Puerto Rico. But removing the Commonwealth option would raise real questions about the vote’s legitimacy.

Third, consistent with the legal conclusions reached by prior Task Force reports, one aspect of some proposals for enhanced Commonwealth remains constitutionally problematic—proposals that would establish a relationship between Puerto Rico and the Federal Government that could not be altered except by mutual consent. This was a focus of past Task Force reports. The Obama Administration has taken a fresh look at the issue of such mutual consent provisions, and it has concluded that such provisions would not be enforceable because a future Congress could choose to alter that relationship unilaterally. (Congress similarly could elect to enact legislation violating a treaty with a foreign country or to legislate over the opposition of one or more States.)

“All Puerto Ricans, regardless of political ideology, seek more comprehensive rights and opportunities. We, therefore urge this Task Force to step up to provide committed leadership in developing a comprehensive plan to enable the question of the islands’ ultimate status to be resolved, as well as developing economic policies that will provide equality for the U.S. citizens in Puerto Rico.”

—Puerto Rico Civic Leader, Testimony to the Task Force

**Recommendation # 3: Although the Task Force supports any fair method for determining the will of the people of Puerto Rico, it has a marginal preference for a system involving two plebiscites (discussed below).**

**Recommendation # 4: If a plebiscite is chosen, only residents of Puerto Rico should be eligible to vote.**

The Task Force’s engagement with the people of Puerto Rico has demonstrated that there is as much debate concerning the process for Puerto Rico’s self-determination as there is concerning the ultimate status itself. To move forward, it is critical that the process is accepted by the people of Puerto Rico as fair and that it ensures that even those whose status option is not selected feel fairly treated.

Prior Task Force reports have chosen a specific method for determining the will of the people of Puerto Rico. The Task Force found this issue extremely difficult. It is critical for the vote—regardless of the outcome—to be reached by legitimate means and perceived as such. The Task Force sees positives and negatives in several of the voting schemes discussed below. In the end, the Task Force has a marginal preference for a system in which the people of Puerto Rico first vote on the question of whether they would like to be part of the United States or would like to be independent, and then choose between the available status options, as limited by the outcome of the first vote. This method is not, however, the sole method for reaching a fair and legitimate outcome.

Below is a summary of the range of methods that might be used to determine the political status question and other issues integral to the process question.

### Process Options

*Single Plebiscite.* A plebiscite is a direct vote of the people of Puerto Rico. As such, it has the advantage of taking a question directly to the people to determine the popular will. Historically, the people of Puerto Rico have turned out in very significant numbers for plebiscites concerning status, and one would expect that to occur again if one or more plebiscites were held. Unlike a constitutional convention in which options could conceivably be refined or modified, a plebiscite would necessarily require predetermined status options on the ballot with no ability to modify those options. S. 1936, the Puerto Rico Democracy Act of 2007, proposed such a method.

Past efforts to determine the will of the people of Puerto Rico have all used a single plebiscite. Those plebiscites have demonstrated significant divisions within the Puerto Rican electorate. Under the most straightforward single plebiscite approach, all of the options would be defined and the people would select among them. It would be necessary to specify whether a plurality, a majority, or a supermajority would be sufficient to bring about a change in status.

The benefits of a single plebiscite are simplicity, lower cost, and a quicker outcome. The downside is that it may result in a fractured vote that would not provide confidence in the status option receiving the most votes (especially if that option only received a narrow plurality). A single plebiscite could be combined with a runoff process between the two options that receive the most votes if no option receives more than 50 percent of the vote.

*Two Plebiscites.* In response to concerns about the potential for uncertainty that may result from a single plebiscite, many advocates have supported an approach with two plebiscites, the first of which would narrow the options and the second of which would make a final decision. A challenge with any two-tiered plebiscite system is the perception that how the votes are ordered may favor one outcome over others.

H.R. 2499, the Puerto Rico Democracy Act of 2010, provides for just such a process. It would first require voters to choose between the current political status and a different political status. Under H.R. 2499, if a majority voted for the current political status, then a plebiscite would be held every 8 years to see if the electorate has changed its mind.

In the original form of the bill, if a majority voted for a different political status, the people of Puerto Rico would then have another plebiscite to vote on three options: (1) Statehood; (2) Independence; or (3) Free Association. There was criticism that, under H.R. 2499 in its original form, if change of status

won the first vote but the vote was close, the second vote would not include an option that perhaps 49 percent of the population supported as a first option and an unspecified number believed was the second best option. In part, for this reason, those supporting certain options objected to the bill, and, as a result, it was amended to include a fourth option in the second plebiscite: the current political status.

A second option would be the reverse of the original version of H.R. 2499. Under this approach, all of the status options would be included in the first vote, except the current political status. The option that received sufficient votes from the first plebiscite (plurality, majority, or supermajority) would then be paired against the current political status in the second plebiscite. Another variation of this type would have all status options as part of the first plebiscite, with the top two vote-getters being the two options in the second plebiscite. This would effectively operate like a single plebiscite with a runoff, as discussed above.

Another variation of the two plebiscite option is to have a first plebiscite that requires the people of Puerto Rico to choose whether they wish to be part of the United States (either via Statehood or Commonwealth) or wish to be independent (via Independence or Free Association). If continuing to be part of the United States were chosen in the first plebiscite, a second vote would be taken between Statehood and Commonwealth. If independence were selected, a second vote would be taken between full Independence and Free Association.

As noted above, this last variation has certain appeal. To the extent that a core question is whether—given clear and specific information about each option and commitments that the United States would or would not make—the people of Puerto Rico would prefer to remain part of the United States or (as noted below, with their existing citizenship protected) be an independent nation, this approach would address that question directly.

*Alternative Voting Systems.* To overcome the limitations of a single plebiscite and the criticisms that would attend any of the above ways of managing two plebiscites, one could choose from several other systems of voting rather than a pure one-person, one-vote, one-option approach. The benefit of such systems is that they may provide more information about the will of the people; the drawbacks are that they are complex and require significant voter education. In addition, these systems do not answer the question of how many votes are sufficient to justify a change in status.

One option would be ranked voting, which would allow voters to rank the status options in order of preference. Such an approach would reveal, for example, in a single plebiscite, if a substantial majority of the people put one status option as first or second, whereas another status option was the first choice of a similar number of people, but poorly ranked by the rest of the population. A further step in this regard would be cumulative voting, which could give each voter four votes that could be distributed among several options or dedicated entirely to one; such an approach would reveal the strength of the voters' views.

*Constitutional Convention.* Given the uncertainty about the status options and the need for a full debate on these issues on the Island, some advocates have suggested that a constitutional convention is a superior means for reaching resolution on the status question. Constitutional conventions have the advantage of being able to adapt the language of the status options and to allow for a more complete consideration of a variety of subsidiary issues. However, if (as discussed below) congressional legislation

commits to honoring the outcome of a determination made by the people of Puerto Rico, the virtues of a constitutional convention are reduced. Any changes made by the constitutional convention to the status options outlined in the legislation could negate the commitment made by the United States, or at least require further congressional action reflecting consent to the changes made.

An additional challenge of a constitutional convention is the selection of delegates for that convention. The Task Force's outreach indicated that there would be significant disagreement concerning how delegates would be selected. Delegates could be elected, but it is unclear whether such a process would be an improvement on the idea of a plebiscite itself. Some advocates argued that delegates should be selected from a broad swath of Puerto Rican society, with a de-emphasis on political parties.

The most common form of a constitutional convention suggested was one that itself would define the status options, which would then be taken to the people for a popular vote. Under such an approach, the constitutional convention would define the status options (or choose a single option to be presented to the people), develop a process, and draft a ballot, which would then be presented to the people of Puerto Rico, who would vote in a referendum. The constitutional convention could precede a vote of Congress defining the status options or could follow it. If the convention preceded congressional action, the status options defined by the convention could take effect only with congressional approval. If Congress failed to provide such approval, the constitutional convention might need to reconvene to consider other options. If the constitutional convention followed congressional action, the convention could approve the congressionally defined status options or modify them, but any modification would then require further congressional approval. H.R. 1230, the Puerto Rico Self-Determination Act of 2007, proposed a process that included a constitutional convention.

*Status Commission.* As yet another option, some have suggested a commission or other body designed to identify and describe the options, craft a process, and develop the ballot for a plebiscite. Such a commission would be less than a full-fledged constitutional convention. Those recommending such an approach emphasized the importance of having the Federal Government actively at the table to help bridge divides among the political parties in Puerto Rico—along with the need to engage business, civil society, and community leaders who may not associate themselves with a particular political party or status option.

### Eligibility to Vote

At its hearings in San Juan and Washington, D.C., the Task Force heard the differing views of (1) those who believe that only current residents of Puerto Rico should participate in any plebiscite; and (2) those who believe that individuals of Puerto Rican descent (or individuals born in Puerto Rico but living elsewhere in the United States) should be permitted to participate in any process to determine the status of the Island.

This issue is a difficult one, as the Task Force recognizes that there are many individuals of Puerto Rican descent who maintain strong ties to the Island as well as many who might choose to live in Puerto Rico if its status were changed. On the other hand, those who have committed to the Island by residing there have strong arguments that they—and only they—should vote on its future. In addition, the complexities of determining who is eligible to vote among those of Puerto Rican descent and managing a vote among a population dispersed throughout the United States and elsewhere would be daunting. On balance, the Task Force believes that only residents of Puerto Rico should be eligible to vote in any plebiscite.

**Recommendation # 5: The President and Congress should commit to preserving U.S. citizenship for Puerto Rican residents who are U.S. citizens at the time of any transition to Independence, if the people of Puerto Rico choose a status option that results in Puerto Rico's Independence.**

U.S. citizenship is an extraordinarily important issue for the people of Puerto Rico. Although there are strong advocates for Independence who do not wish for continued ties to the United States, the Task Force's engagement with Puerto Ricans demonstrated that most of them value their U.S. citizenship enormously. Any status option that could conceivably result in the loss of U.S. citizenship by current U.S. citizen residents of Puerto Rico would, it seems, be viewed with hostility by the vast majority of Puerto Ricans.

Prior administrations have examined the legal question of whether, under the U.S. Constitution, current U.S. citizen residents of Puerto Rico could be stripped of their citizenship. To the Task Force, this is simply the wrong question; whatever the answer to the legal question, current U.S. citizens should not be stripped of their citizenship even if the people of Puerto Rico vote for Independence. Accordingly, the Task Force recommends that the President and Congress commit to preserving U.S. citizenship for Puerto Rican residents at the time of any transition to Independence.

**Recommendation # 6: The President and Congress should ensure that Puerto Rico controls its own cultural and linguistic identity. The Task Force recognizes that, if Puerto Rico were admitted as a State, the English language would need to play—as it does today—a central role in the daily life of the Island.**

Advocates and citizens of Puerto Rico have expressed concern about the impact of certain status options—especially Statehood—on the cultural and linguistic identity of the Island. In particular, advocates have expressed concern that Congress, as a condition of Statehood or as an exercise of its authority over Puerto Rico under the Territory Clause, could require Puerto Rico to adopt English as the only official language of the Island. Providing assurances that Puerto Rico will control its own cultural and linguistic identity would reduce concern over this possibility.

**Recommendation # 7: If efforts on the Island do not provide a clear result in the short term, the President should support, and Congress should enact, self-executing legislation that specifies in advance for the people of Puerto Rico a set of acceptable status options that the United States is politically committed to fulfilling. This legislation should commit the United States to honor the choice of Puerto Rico (provided it is one of the status options specified in the legislation) and should specify the means by which such a choice would be made. The Task Force recommends that, by the end of 2012, the Administration develop, draft, and work with Congress to enact the proposed legislation.**

For decades, the responsibility has been placed on the people of Puerto Rico to express their will through a plebiscite as a first step toward resolution of the status question. As noted above, the Task Force supports any fair and transparent effort to determine the will of the people of Puerto Rico. Nothing in this Report should be used to derail such efforts, and the Task Force believes that the best outcome is for the people of Puerto Rico to speak first, with swift congressional action vindicating their will to follow.

Nonetheless, for a host of reasons, the most recent plebiscites have not moved the Island closer to a status resolution. During its hearings in San Juan and Washington, D.C., the Task Force frequently heard

that a lack of confidence that the United States would actually implement the choice of the people of Puerto Rico was hindering resolution of the status question. People repeatedly raised the concern that no matter what the people of the Island might choose, via a plebiscite or other means, the Federal Government would not take the steps needed to ratify that choice. For example, several voiced the fear that if the people of Puerto Rico chose Statehood, politics in the United States would not allow that choice to be given force and effect. Similarly, if the people of Puerto Rico chose Independence, the United States would not take the needed steps to allow Puerto Rico to exercise complete sovereignty or would impose unacceptable conditions on Puerto Rico's Independence.

Advocates and citizens alike predicted the frustration that would arise if a process were pursued to allow Puerto Ricans to determine the Island's future status, only to have the Federal Government fail to act. They made a persuasive case to the Task Force that this lack of confidence, combined with uncertainty about the definitions of the status options (as some claim affected the last plebiscite), are a significant impediment to resolving the status question. They requested that the United States specify what options it would be politically committed to fulfilling. This is a reasonable request, and one which the Task Force recommends addressing through congressional action in the event that the planned efforts for a plebiscite do not yield a clear result.

To address the concerns raised, the Task Force envisions development of Federal legislation that goes beyond the identification of status options, which has been done by the Task Force in this Report and by legislation considered in recent Congresses. Such legislation would commit the United States, absent an intervening act of Congress, to fulfilling the will of the people of Puerto Rico, under specified conditions, and would provide clear information to them about each option in advance of a vote on the Island. Such legislation would specify the process by which the will of the people of Puerto Rico would be determined and would delineate the set of steps that have to occur for each of the status options to come to fruition, without further action from Congress.

If, for example, Puerto Ricans chose Statehood, Puerto Rico would become a State upon completion of those steps specified in the statute without further action from Congress. The two newest states—Alaska and Hawaii—were both admitted under statutes that conditioned admission on a Statehood referendum. Moreover, Congress has admitted some 10 other states pursuant to statutes granting Statehood, without further congressional action, effective upon approval of certain measures by their voters. For instance, Congress made the admission of Arizona and West Virginia effective upon popular ratification of specified amendments to proposed constitutions for those states.

Congress has used legislation contingent on a vote by the electorate not only for transitions to Statehood but also for transitions to Independence. The United States altered its political relationship with the Philippines through legislation that conditioned the change on a vote by the Philippines' electorate approving a new constitution for the Philippines.

A virtue of this approach is that it has the potential of ensuring that the people of Puerto Rico have the opportunity to be fully informed prior to a vote. Despite the long-running discussion on the subject of status, there remains much that is not known about what a change in status would mean for the Island. The Task Force was frequently told during its hearings that the people of Puerto Rico need to have more information about the status options—both clear explanations concerning the options and information concerning a period of transition to any new status.

Legislation specifying the transition to various status options, in advance, has a number of benefits. Among other things, it would answer several questions for the people of Puerto Rico before their vote that would assist them in evaluating their options, including, for example:

- If Puerto Ricans selected Statehood, how long would the transition be; what conditions would be placed on the Island; what would be the impact of the application of the Tax Uniformity Clause to Puerto Rico; and what would be the potential increase in Federal resources devoted to the Island upon admission?
- If they selected Independence or Free Association, what would the United States do to help Puerto Rico make the transition to Independence; would the United States provide some measure of ongoing economic support; and would the United States provide military and other types of assistance on an ongoing basis as it currently does for certain nations that have a "Free Association" relationship with the United States?
- If they selected Commonwealth, would Congress enact legislation to define what, if any, possible changes could be made to the Commonwealth status? Advocates for increases in Puerto Rican autonomy within the Commonwealth framework have argued for congressional legislation that would establish a process by which Puerto Rico could obtain relief from specific Federal laws, or enhance authority for the government of Puerto Rico to join certain international organizations and to engage in international cultural and economic outreach efforts so long as such activities were authorized by the Federal Government as consistent with the foreign relations of the United States. When the people of Puerto Rico vote among the status options, they should not assume such modifications unless legislation specifically provides that such a modification would occur upon selection of that status.

In addition to providing specific information of relevance to the people of Puerto Rico, such legislation should provide time—though not too much time—to allow for the dissemination of truthful and accurate information about the choices. Throughout the Task Force's engagement with advocates and the people of Puerto Rico, there have been two relatively consistent, but competing, messages: (1) it would be preferable to move quickly to a mechanism that would allow the status issue to be resolved; and (2) any plebiscite or constitutional convention would need to be preceded by a period to allow for the education of Puerto Ricans about the status options, including the development of information by advocates on all sides about such things as the economic impact of one status option or another.

Both views are valid. If Congress were to enact such legislation, there would need to be time—in the Task Force's view, months, not years—to allow for the development of honest information to be provided to the people of Puerto Rico about each option. At the same time, the Task Force believes that the period of time for dissemination of this information should not be open-ended.

The Task Force believes that each position can be met by ensuring that there is a short period—perhaps 6 months after Congress enacts legislation—between the definition of the status options that will be the subject of a plebiscite or constitutional convention and the actual vote by the people of Puerto Rico. A number of advocates argued that 6 months was the minimum reasonable time frame, but that a significantly longer period would not be productive, given the amounts of time and energy that have already gone into the debate on status.

Finally, one may ask why Congress should act when it is possible that the people of Puerto Rico favor the status quo or that Puerto Rican public opinion is so divided that no change in status will occur. The Task Force, however, is concerned that confusion about the options and doubt among the people of Puerto Rico that the United States will implement their will may have had an impact on resolution of the status question.

“The U.S. Senate, along with their brethren in the House of Representatives, as well as the present Administration, all have the duty to enable a fair and effective process for Puerto Rico to exercise its natural prerogative. We request that you finally fulfill your duty toward the Puerto Rican people.”

—Puerto Rico Civic Leader, Testimony to the Task Force

Something may well be needed to break the logjam; that is the goal the Task Force seeks to achieve with this recommendation. Although the Task Force recognizes the difficulty of enacting legislation (particularly legislation that might result in creation of a new State or a new independent nation), this recommendation (1) responds to the request that many Puerto Ricans made during the Task Force hearings; (2) could clarify options for the people of Puerto Rico; and (3) could provide a catalyst for the Island to reach a resolution on status.

The Task Force believes that the time to act is now, and recommends that, if there is no decisive result by a plebiscite this summer, the Administration, Congress, and stakeholders in Puerto Rico work as rapidly as possible to develop the legislation contemplated by the Task Force. The Task Force therefore recommends that, by the end of 2012, the Administration develop, draft, and work with Congress to enact the proposed legislation.

### *The Intersection between Status and the Economy*

Regardless of the status chosen by the people of Puerto Rico and the process by which status is decided, Puerto Rico needs economic growth today. The Task Force is recommending a series of steps to assist in improving the Puerto Rican economy, educational system, environment, and social services.

At the same time, the Task Force recognizes that the status question and the economy are intimately linked. Many participants in the forums conducted by the Task Force argued that uncertainty about status is holding Puerto Rico back in economic areas. And although there are a number of economic actions that should be taken immediately or in the short term, regardless of the ultimate outcome of the status question, identifying the most effective means of assisting the Puerto Rican economy depends on resolving the ultimate question of status.

In short, the long-term economic well-being of Puerto Rico would be dramatically improved by an early decision on the status question. Nevertheless, the status debate should not impede action on economic and social issues that would benefit Puerto Rico.



Rick Wade  
*Commerce*

Manuel Casiano  
*Caribbean Business*





# Economic Development Overview and Task Force's Economic Recommendations



President Obama expanded the purview of the Task Force to focus not only on the status question but also on economic development. After its careful and comprehensive review of the economic climate in Puerto Rico, the Task Force is well aware of the key economic issues on the Island. The feedback from various stakeholders across Puerto Rican society indicate an acute appreciation for the economic hurdles facing Puerto Rico, yet also a deep sense of hope and optimism about the future trajectory of the Island's economy.

For example, Puerto Rico has tremendous, and arguably under-utilized, resources. The Island, with its beautiful beaches and bioluminescent bays, has the potential to attract more tourists. In addition, Puerto Rico has great potential to develop as a center of commerce, as well as a regional cluster in, for example, energy. The Task Force frequently heard from stakeholders that Puerto Rico, given sufficient support and opportunity, could become the "Singapore" of the Caribbean. Like Singapore, a tiny island that today boasts an advanced market-based economy and one of the world's busiest ports, Puerto Rico could also emerge as a hub in the Americas. The Island could use its common cultural and linguistic bonds with its neighbors to connect the United States to the emerging economies of Latin America and to facilitate the exchange of ideas, goods, and services. Puerto Rico has a tremendous opportunity to build a vibrant and strong economy. The Federal Government can, and should be, a partner in this important effort.

To achieve this ambitious goal, Puerto Rico requires an economic strategy that lays down building blocks for growth, including investing in health and education; increasing labor force participation through

stronger incentives to work and better job opportunities; building infrastructure and protecting the environment; strengthening public safety; and improving the transparency of government institutions. As these building blocks are put in place, Puerto Rico can also orient its economy toward growing industries, ideally developing an economic cluster of related industries and supporting institutions that will create jobs and generate economic growth.

In developing its recommendations, the Task Force sought to focus on the types of collaboration, partnerships, and policies that are consistent with, and will enhance, plans already being considered or implemented on the Island. The Task Force did not view its role as developing an entirely new strategic economic plan for the Island. Rather, the Task Force focused its attention on sectors that are ripe for development or expansion, and are already viewed by stakeholders on the Island as having significant potential.

The Task Force recognizes that the recommendations below are merely a beginning. Many of them reflect an attempt to build capacity for future, more ambitious efforts. Others highlight positive work occurring on the Island today, with an emphasis on continuing and expanding important collaborations. These recommendations are not intended as a comprehensive blueprint for Puerto Rico's future. Rather, this Report is an effort to identify foundations that should be laid to promote further opportunities as well as areas ripe for significant progress. As the Task Force has heard from many stakeholders, the long-term success of Puerto Rico is ultimately linked to a resolution of the status question, as well as consistent focused efforts on improving the lives of the people of Puerto Rico.

## **Historical Overview of the Puerto Rican Economy**

Similar to the "Status Overview" section above, the following historical overview is not a comprehensive analysis of Puerto Rico's economic development over the past century. Rather, this section is intended to help frame the Task Force's recommendations that follow.

Soon after Spain ceded Puerto Rico to the United States following the Spanish-American War, Puerto Rico experienced an agricultural expansion that led to sugar becoming the Island's premier crop.

In the 1940s, economic reform focused on moving Puerto Rico from a predominantly agricultural economy to an industrialized one. Many leaders in Puerto Rico and the United States viewed manufacturing and industrial development, specifically the expansion of American industry, as a means for economic development for Puerto Rico.

The decline of sugar production helped to move American capital from agriculture to investments in consumer good industries. Furthermore, the legislature of Puerto Rico enacted the Industrial Incentives Act of 1947 (as amended in 1948)—which was known as Operation Bootstrap—to give private firms a 10 year exemption from Puerto Rico's income, property, and other manufacturing taxes. Under Operation Bootstrap, the Island was to become industrialized by providing local labor, inviting investment of external capital, importing raw materials, and exporting finished products to U.S. markets.

As manufacturing gained momentum over large-scale, single-crop agricultural production, labor salaries depended more on the growth and expansion policies of their U.S.-based corporations. Agricultural

income was in decline for most of the post-war years, moving from over 31 percent in 1940 to less than 5 percent in 1980.

The 1970s global recession and the energy crisis late in the decade put a halt to economic growth on the Island. Unemployment went from 12 percent in the 1960s to a record 23 percent in the early 1980s. The labor force participation rate remained at 41 percent. Responding to a stagnating economy in Puerto Rico, Congress added Section 936 to the Internal Revenue Code as part of the Tax Reform Act of 1976 (P.L. 94-455), which provided a tax credit to offset the Federal income tax on certain business and passive investment income derived from operations in Puerto Rico. In the 1980s, pharmaceutical companies, in particular, took advantage of the tax credit and expanded production. Section 936 companies, as they were commonly known, grew to account for more than 10 percent of total employment, and almost half of all manufacturing employment, on the Island. By 1982, pharmaceutical firms represented 46 percent of total manufacturing net assets, electronic companies represented 19.5 percent, and chemical industry manufacturing represented 37 percent. However, in 1993, the credit was limited, and subsequently was phased out between 1996 and 2005.

From the period of post-war industrialization into the 1970s, the Puerto Rican economy experienced positive growth and narrowed the income gap with the States. Since then, however, growth has been anemic for the most part. The economy had a brief growth spurt during part of the 1990s, as did most other economies. In general, the Island economy as measured by gross domestic income has not kept pace with that of the rest of the United States since the 1970s. In contrast, other social and economic indicators have showed positive growth, including increases in life expectancy, increased access to medical service providers, and a dramatic increase in college-bound students. Despite the progress that has been achieved in Puerto Rico, the Island still faces several key economic challenges.

## Economic Challenges and Recommendations

Below, the Task Force reviews the key economic challenges for Puerto Rico and identifies particular issues that must be addressed to have robust growth moving forward. In each case, the Report offers recommendations and a timeline for implementation.

“As the Task Force moves forward, I commend you on your agenda on promoting the discussion of issues of priority to Puerto Rico. As you are aware, the current economic conditions in the Island and the difficult times Puerto Ricans are facing require official and specific attention from the Task Force and the Administration.”

—Mr. Héctor Ferrer Ríos, President of the Popular Democratic Party,  
Testimony to the Task Force

## **1. Current Economic Conditions**

After several years of negligible growth, high unemployment, and deficit increases, the Puerto Rican economy started to slow as early as 2006—two years earlier than the rest of the United States—leading to the sharpest economic contraction on the Island since the late 1980s. Per capita income remains at less than one-third that of the mainland, due in part to Puerto Rico's low employment rate and persistently low rate of labor force participation. Approximately 45 percent of the population lives at or below the Federal poverty level.

Puerto Rico's economic recovery hinges on the health of its labor and real estate markets. In calendar year 2010 alone, Puerto Rico lost 67,000 jobs. According to the Bureau of Labor Statistics, in November 2010, Puerto Rico's rate of unemployment was 15.8 percent, which was higher than the unemployment rates in any of the 50 States or the District of Columbia. The downturn in the economy and housing market has resulted in the significant loss of construction and service jobs.

There are, however, important signs of improvement in the Island's fiscal situation. The size of the deficit relative to revenues on the Island has decreased significantly, and Puerto Rico's credit rating has been upgraded.

## **2. Use of Federal Funds in Puerto Rico**

The Federal Government has already been investing in Puerto Rico to address these and other challenges. Current projections show that Puerto Rico and its municipal government agencies will receive a little over \$5.9 billion in fiscal year (FY) 2011 from the Federal Government. That figure does not include funds from the American Recovery and Reinvestment Act of 2009 (ARRA or Recovery Act).

For FY 2011, total Federal funds (including ARRA funds) account for 21.9 percent of all consolidated Federal/commonwealth government budgeted expenditures in Puerto Rico. This percentage includes Federal funds for both Federal Government and Puerto Rican government programs.

### ***The Impact of the American Recovery and Reinvestment Act***

ARRA funds have had a positive impact on the Puerto Rican economy. As of January 14, 2011, more than \$4.4 billion in Recovery Act funds have been made available to Puerto Rico and more than \$3.2 billion has already been spent. Notably, estimates suggest that as of the third quarter of 2010, the Recovery Act increased employment in Puerto Rico, compared with what it otherwise would have been without ARRA funds, by approximately 23,000 jobs.

Of the ARRA projects funded in Puerto Rico, 30 percent are at least 50 percent completed; 56 percent are less than half completed; and 13.65 percent have not yet been started. The Puerto Rico Departments of Education, Housing, and Transportation are among the top three recipients of ARRA dollars in Puerto Rico. For example, over \$180 million have been obligated for more than 30 transportation projects.

The Recovery Act has also directly aided those Puerto Ricans most affected by the economic crisis. Over 210,000 Puerto Ricans have received expanded unemployment benefits due to ARRA, and more than 700,000 seniors and nearly 500 veterans have received \$176 million in economic relief payments. The U.S. Department of Education (ED) has provided over \$1 billion, awarding Federal Pell Grants to hundreds

of thousands of students, as well as supporting 9,400 educational positions in 2010. Law enforcement agencies on the Island received more than \$5 million to support officer salaries and benefits. Over \$190 million in ARRA funds have been made available to help prevent additional Medicaid cuts in Puerto Rico, with over \$90 million of that amount expended to date.

ARRA also benefitted Puerto Rican small businesses through nearly 450 U.S. Small Business Administration (SBA)-backed loans supporting \$126 million in lending. This aid was particularly timely, given the liquidity crisis of 2009 and its negative impact on the small business lending market. For example, SBA 7(a) loans to construction firms in Puerto Rico declined approximately 50 percent in 2009 (from nearly \$1.3 million in 2008 to \$686,000), but have rebounded significantly in 2010 (to over \$1 million). Overall, SBA has supported over \$121 million in small business lending in 2010, compared with over \$74 million in 2009.

The Recovery Act also made critical long-term investments on the Island. The U.S. Department of Energy (DOE) has made a down payment on Puerto Rico's clean energy and environmental future by investing \$125.6 million in Recovery Act funds to support energy efficiency efforts and a broad range of clean energy projects including solar and wind power. As a result of DOE's investment, Puerto Rico's businesses, universities, nonprofit organizations, and local governments will reduce their energy costs by approximately \$5.5 million annually and are creating jobs that will position Puerto Rico to play an important role in the new energy economy of the future.

Furthermore, ARRA provided \$4.7 billion to the U.S. Department of Commerce (DOC) National Telecommunications and Information Administration (NTIA) to fund the Broadband Technology Opportunities Program (BTOP) that supports the deployment of broadband infrastructure, enhances and expands public computer centers, encourages sustainable adoption of broadband service, and develops and maintains a nationwide public map of broadband service capability and availability.

Through NTIA, Puerto Rico received three BTOP grants totaling approximately \$41.1 million. First, a \$25.6 million grant to Critical Hub Networks, Inc. will help provide fast, affordable broadband infrastructure and connectivity for last-mile Internet service providers and underserved areas of Puerto Rico, including the islands of Culebra and Vieques. The grant will establish a broadband "bridge" to the United States mainland and deploy a high-capacity middle-mile network on the Island, offering speeds from 100 Mbps (megabits per second) to 1 Gbps (gigabit per second) to anchor institutions and last-mile providers. Second, a \$12.9 million grant to Iniciativa Tecnológica Centro Oriental, Inc. will be used to expand broadband Internet access within some of the neediest areas of Puerto Rico by deploying a multifaceted 515-mile network that will include both wireless and fiber connections. The project is expected to directly connect nearly 250 anchor institutions, including higher education facilities, hospitals, municipal facilities, police stations, and libraries. Third, the Puerto Rico Governor's Office received a \$2.5 million grant for broadband mapping.

In addition, under BTOP, the Island will benefit from a nationwide broadband grant to expand educational and employment opportunities for people who are deaf or hard of hearing and provide them with online tools to help them participate more fully in the digital economy.

Finally, the recently enacted Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 contains two important tax provisions, which are extensions of ARRA programs, that will assist Puerto Rico on its economic road to recovery. These include the extension of deductions attributable to domestic production activities in Puerto Rico and the temporary increase on the limit of the rum excise tax.

First, the provision extending the section 199 deduction for domestic production activities to Puerto Rico was extended for 2 years (through 2011). This deduction permits manufacturers, software developers, and construction firms in Puerto Rico to significantly reduce their Federal tax bill with respect to income attributable to domestic production activities in Puerto Rico.

Second, the Administration's Tax Relief package also includes an extension of a temporary increase in the limit on cover over of rum excise tax revenues to Puerto Rico and the U.S. Virgin Islands (USVI). The legislation extends for 2 years (through 2011) the provision for payment of \$13.25 per gallon to cover over a \$13.50 per proof gallon excise tax on distilled spirits produced in or imported into the United States. Congress is required to renew the cover increase, or the rebate will resume to the original \$10.50 cover. Puerto Rico receives approximately over \$430 million in rum-rebate funds annually. The majority of these funds are directed toward general economic development efforts, as well as to support the Puerto Rico rum industry.

### ***Capacity Building and Use of Federal Funds***

#### **Issue**

The partnership between the Federal Government and Puerto Rico is a significant factor for the Island's economic potential and the well-being of its people. A starting point of the Task Force's work in making recommendations to the President and Congress was an examination of the Federal Government's current engagement with Puerto Rico and Federal funding for the Island. Three things quickly became clear during the Task Force's inquiry. First, Puerto Rican governmental and nonprofit entities are not applying for, seeking, or competing for Federal funds in a host of areas where resources might be available. While certain Federal programs require that applicants match a share of the funds, the matching requirements are flexible and, in some circumstances, can include matches from other Federal sources, which could maximize the impact of Federal resources on the Island.

Second, significant amounts of Federal funds available to the Island are not being spent in a timely fashion. In particular, shortcomings in tracking and processing systems, as well as accounting practices, have hindered the Island's use of Federal funds. This is a problem, in part, because transitions in political leadership in Puerto Rico often result in significant turnover among agency staff—including among the professionals who understand program requirements and are responsible for implementing them effectively. This limited capacity results in Federal resources going unspent despite significant need and in the return of critical resources to Federal agencies.

Third, while the Federal Government is engaged with Puerto Rico in a variety of ways, Federal agencies generally do not coordinate with each other in their work on the Island. In some cases, these agencies lack the ability to provide needed assistance in both Spanish and English. Additional collaboration by Federal entities could help achieve better outcomes for Puerto Rico and, among other things, provide

technical assistance in cross-cutting areas, such as fund accounting and grant monitoring. This Task Force has brought together representatives from several Federal agencies to identify common challenges they face on the Island. In particular, they have concluded that these challenges undercut both their ability to achieve successful outcomes, as well as Puerto Rico's ability to leverage Federal funding streams in a catalytic way.

### Recommendation

One essential starting point for Puerto Rico's economic growth is increasing the capacity of its institutions to manage existing opportunities for maximum impact. The Task Force believes that this basic problem of institutional capacity needs to be addressed as soon as possible.

To address the shortcomings in institutional capacity, the Task Force recommends a two-pronged approach. First, the Task Force proposes to consult with the Puerto Rico government to increase capacity in its civil service, particularly in the areas of grant and program management. Municipal workers also should be included in this effort because many municipalities can apply directly for Federal grants. Based on the results of the consultation, representatives of key Federal agencies should work with officials from Puerto Rico to identify an institution or training program, similar to the Presidential Management Fellowship or Senior Executive Service, that would provide the necessary skills to future professional civil servants. Other city and State governments have created similar programs, which could be examined to determine the best approach for Puerto Rico. To aid in the development of this civil workforce, Puerto Rico could use options available under the Intergovernmental Personnel Act to tap experienced Federal workers to work in Puerto Rico on temporary assignments, or to send select government workers from the Island to Federal agencies to receive hands-on training with Federal programs.

Second, the Task Force recommends that Federal agencies that are engaged in partnerships with Puerto Rico collaborate on key strategies to strengthen the Island's capacity to manage Federal resources effectively and efficiently.

These strategies should include:

- Identifying and aggregating capacity within each agency to develop teams able to interact most effectively with partners in Puerto Rico. Capacity should, as much as practicable, include (1) translation by Federal entities of grant solicitation materials and program information; and (2) translation capacity on agency websites that enables users to translate into Spanish information about grant opportunities, research, and policies.
- Building on existing agency resources aimed at identifying how Federal funds are being used in Puerto Rico. For example, the U.S. Department of Housing and Urban Development (HUD) has developed a matrix that: tracks unexpended and uncommitted funds by program; identifies any funds that will expire during the current program year; and provides some details on its involvement in program monitoring and administration. By performing a cross-agency assessment of this kind, the Federal Government can more effectively identify expertise gaps that undercut capacity to effectively administer Federal grant programs, and recommend specific strategies for addressing these gaps through collaboration across agencies.

- Increasing coordination in strategies and activities of Federal agencies that provide grants on the Island in order to improve grantee performance and accountability.
- Forming interagency technical assistance teams consisting of officials from multiple agencies, including a mix of headquarters, field, and regional staff with deep knowledge and expertise of the Federal programs in Puerto Rico. The exact composition and number of each team would be based on need, as determined through the cross-agency assessment and in consultation with Puerto Rico. These teams would provide intensive, on-the-ground assistance by: working full-time with Puerto Rico for specified time periods over several years; assisting Puerto Rican officials with navigating and harmonizing existing Federal programs; obligating Federal investments strategically; addressing information technology infrastructure needs; and addressing performance barriers. Finally, the technical assistance team would facilitate in developing local partnerships between the Puerto Rico government and nonprofit and faith-based organizations, as well as regional partnerships between Puerto Rico and its neighbors. These partnerships would aid and strengthen Puerto Rico's ability to cultivate collaborative and sustainable responses to the issues that affect Puerto Rican communities, such as education, housing, and criminal justice.
- Participating, in collaboration with the Administration's Cities in Transition initiative,<sup>3</sup> in a National Resource Bank (NRB) that will align and aggregate public and private funds to provide access to a "one-stop shop" of national experts with wide-ranging expertise to provide holistic support on a contract basis in areas such as: fiscal and budget reform, economic planning, land use redevelopment, environmental remediation, job market analysis, and training. The Cities in Transition initiative contemplates HUD serving as the lead agency for the NRB. The Task Force recommends that Federal agencies dedicate existing bilingual personnel to this effort to ensure its capacity to address needs in Puerto Rico.

While the Task Force recommends the general strategies above, several Task Force members, particularly HUD, the U.S. Environmental Protection Agency (EPA), and ED, have developed robust efforts at capacity building on the Island. The Task Force endorses these approaches and recommends them as models for interagency collaboration.

### Timeline

Beginning the consultation process, increasing language capacity, and performing a cross-agency assessment should occur within the next six months. The establishment of interagency technical assistance teams should also begin in the next six months. Collaborating with Puerto Rico to expand the capacity of its civil service workforce would require a longer time frame—likely between 2 to 6 years.

### ***Housing Programs and Institutional Capacity***

#### Issue

The problems of institutional capacity have had a particular impact on housing programs. Affordable housing programs, such as the HOME Investment Partnerships Program and the Community Development Block Grant Program, have detailed rules regarding financial management, eligible activities, and deadlines for expending program funds that require trained staff with experience in admin-

istering Federal programs. HUD has expended significant effort on training and providing technical assistance to local agency staff, only to see them leave government service when a new administration takes office. This results in a considerable loss of institutional knowledge and capacity, which, in turn, has led to lapses in program funding and suspensions of untimely or ineligible projects.

### Recommendation

As part of a broader effort to build institutional capacity and to use Federal funds more effectively, the Task Force recommends that efforts recently commenced by HUD and its field office in Puerto Rico culminate in a comprehensive housing plan for Puerto Rico in the near future. HUD, in part due to its participation on the Task Force, has been working with several local housing agencies to address longstanding problems in program administration and fund expenditures.

Over the past several months, Puerto Rico has made significant strides with HUD programs. In October 2010, the Governor of Puerto Rico signed a Memorandum of Agreement (MOA) with HUD for assistance in developing a comprehensive, market-based housing plan and for technical assistance to assess and address local agency staff capacity. The housing plan will allow Puerto Rico to leverage public and private funds to address the gap between the availability of housing units and the demand for housing at different levels of affordability.

Also in October 2010, as part of the implementation of the MOA, the Governor named a Housing Task Force to develop this housing plan over the next several months. The Housing Task Force, which met for the first time in November 2010, will develop the comprehensive housing plan, with technical assistance from HUD. In exchange for this assistance from HUD, Puerto Rico has committed to provide housing units for the Island's homeless and more vulnerable residents.

Regarding specific HUD programs, HUD has been working very closely with local agencies in Puerto Rico to improve program expenditure rates and to provide direct technical assistance on program requirements and regulations. In the past few months, Puerto Rico has:

- Obligated 100 percent of its Neighborhood Stabilization Program funding and committed millions of dollars in other affordable housing funds that would otherwise have expired;
- Recaptured and reprogrammed over \$2 million in State Community Development Block Grant funding for stalled projects and awarded these funds to shovel-ready activities. Puerto Rico has also begun performing closeouts for 18 years of open grants; and

Transferred administration of two Federal housing programs, the HOME Investment Partnerships Program and the Housing Opportunities for Persons with AIDS Program, to local agencies with more robust capacity.

### Timeline

In December 2010, a technical assistance provider conducted a needs assessment on the organizational and staff capacity of agencies administering HUD programs in Puerto Rico. During the winter and spring of 2011, HUD should provide Puerto Rico with technical assistance to address the gaps in capacity identified by the needs assessment. Finally, in the summer and fall of 2011, Puerto Rico is scheduled to release its comprehensive housing plan.

### 3. Investing in Education

#### Issue

##### ***The Public Education System***

The Puerto Rico public education system is organized as a unitary public school model, in which the Puerto Rico Department of Education (PRDE) is both the State Education Agency (SEA) and the Local Education Agency (LEA). Because there is only a single agency administering education, Puerto Rico does not have the same check on the activities of that agency, in the way that SEAs can act as checks on the actions of LEAs in all the States except Hawaii (which also has a unified system). The system is led by the Puerto Rico Secretary of Education, who is appointed by the Governor with the consent of the Puerto Rico Senate.

PRDE is the largest employer on the Island, with over 70,000 employees, 56 percent of whom are teachers.<sup>4</sup> The system also enrolled over 500,000 students in the 2008-2009 school year; Puerto Rico is the third largest school district in the United States.<sup>5</sup>

Stakeholders on the Island—both inside and outside of government—agree that Puerto Rico's school system needs substantial improvement. Puerto Rico's graduation rate for the 2006-2007 school year was 66.7 percent versus the U.S. national average of 73.9 percent.<sup>6</sup> Of Puerto Rico's 1,500 schools in school year 2007-2008, 620 (41 percent) of them made adequate yearly progress, as defined by Puerto Rico according to the requirements of the Elementary and Secondary Education Act of 1965 (ESEA).<sup>7</sup>

Puerto Rico is heavily dependent on the Federal Government to fund its school system. Federal education funding nationally tends to make up only 8-10 percent of spending on education (the rest consists of state and local spending); in Puerto Rico, for school year 2007-2008, Federal education dollars made up 27.9 percent of the Island's elementary and secondary education budget.<sup>8</sup>

The largest stakeholder in postsecondary education in Puerto Rico is the University of Puerto Rico (UPR), the government-run university system. It consists of 11 campuses and approximately 65,000 students, 5,300 professors, and 14,000 non-teaching staff. In the spring of 2010, UPR was forced to shut down after students went on strike to protest a tuition hike. Under Title IV of the Higher Education Act of 1965, ED was required to end UPR's participation in the Title IV student financial assistance programs, making it ineligible to receive Federal funds under those programs. Immediately thereafter, ED worked closely with UPR officials to recertify all of UPR's locations. As a result of the cooperation between UPR officials and ED, there was minimal disruption in the eligibility of UPR students for Federal student assistance.

Although students were ultimately unaffected, the University's accrediting body, the Middle States Commission on Higher Education, expressed concerns about UPR's stoppage of classes during the strike. If UPR lost its accreditation, students would no longer be eligible for any Federal student assistance toward classes at UPR. This would be a significant loss of funds; in award year 2009-2010, students attending UPR received \$180 million in Federal Pell Grants.

**Grant Management/Compliance**

ED interacts with Puerto Rico in the same way it interacts with States, by virtue of four basic activities:

- Establishing policies relating to Federal financial assistance for education, administering distribution of those funds, and monitoring their use;
- Collecting data and overseeing research on schools and disseminating this information to Congress, educators, and the general public;
- Identifying any major issues or problems with Puerto Rico's administration of its education programs and its proper accountability for the use of Federal education funds; and
- Enforcing Federal statutes prohibiting discrimination in programs and activities receiving Federal funds and ensuring equal access to education for every individual.

Over the past several years, ED and PRDE have worked cooperatively toward addressing many systemic and longstanding grant management and accountability issues that PRDE has been facing with regard to the administration of Federal education funds.

Starting in September 2003, ED and PRDE worked together in a collaborative effort to jointly resolve a backlog of unresolved PRDE audits, which contained over 600 audit findings dating back to 1994. As a result of this effort, PRDE sought to come into compliance with Federal requirements through the implementation of corrective action plans in the areas of grant management, procurement, and payroll, with the ultimate goal of improving educational services to all students in Puerto Rico. In 2004, ED entered into a compliance agreement with PRDE to address those systemic and longstanding grant management and accountability issues. In general, PRDE receives a little over half a billion dollars under Title I of the ESEA each year. But before completing action steps under the 2004 compliance agreement, PRDE struggled with antiquated and inefficient financial management, payroll, procurement, and student information systems infrastructure to administer and account for the use of those funds. In 2007, ED entered into a compliance agreement to address program compliance issues, arising particularly in the areas of Title I of the ESEA and Parts B and C of the Individuals with Disabilities Education Act of 2004 (IDEA).

Through these two compliance agreements, ED has worked closely and collaboratively with PRDE to bring it to a place where it has adequate infrastructure and trained personnel to manage and track large amounts of Federal education funds, administer those funds effectively, and account for using them.

It is now time for the two partners to continue to work on improving PRDE's programmatic implementation practices. Continuing support includes: targeted technical assistance from ED's Title I program team; quarterly visits from ED's Risk Management Team; and biweekly technical assistance phone calls between ED's Special Education team and PRDE.

The government of Puerto Rico has put in place an intra-governmental oversight group with members from Puerto Rico's Office of Management and Budget and the Government Development Bank for Puerto Rico (GDB), among others, to oversee PRDE. ED continues to have positive interactions with the government of Puerto Rico to address the needs of Puerto Rico's educational system. These have included discussions about how to improve the delivery of technical assistance and implementation

assistance to PRDE, as well as discussions about potential innovations such as charter school law reform in Puerto Rico.

### ***Title III, ESEA Programs***

Title III of the ESEA authorizes ED's Language Instruction for Limited English Proficient and Immigrant Students program, which is designed to improve the education of limited English proficient (LEP) children and youths by helping them learn English and meet challenging State academic content standards. PRDE, however, is authorized by the ESEA to use Title III funds for a program "of instruction, teacher training, curriculum development, evaluation, and assessment designed for . . . children of limited Spanish proficiency [LSP]."<sup>9</sup> Under this authority, PRDE is authorized, but not required, to use Title III funds to assist LSP children to become proficient in Spanish and meet challenging State academic standards. From 2002 through 2009, PRDE's Title III program experienced a number of compliance and implementation difficulties. However, ED has provided intensive technical assistance, and PRDE now has an approved plan for implementing Title III for the 2009-2010 and subsequent school years. In addition, PRDE has been awarded funding for FY 2009 and 2010. PRDE's current approved plan focuses on serving LSP children. ED understands that Puerto Rico is considering proposing to ED an amendment to its Title III plan that would allow it to use funds under that program to serve LEP children.

### ***Special Education Programs***

Puerto Rico receives Federal funds under IDEA in two parts: (1) Part B for children with disabilities (ages 3-21), which is administered by PRDE; and (2) Part C for infants and toddlers with disabilities (birth-age 3), which is administered by the Puerto Rico Department of Health (PRDOH). ED Office of Special Education Programs (OSEP) has monitored both programs through the State Performance Plan and Annual Performance Reports (SPP/APR), through the annual grant application and through onsite verification visits. In the June 3, 2010 SPP/APR determination letters, both Parts B and C received an APR determination of "needs assistance" in meeting IDEA requirements. The July 1, 2010 grant awards for both IDEA Parts B and C were issued under conditional approval. Puerto Rico has resolved all findings of noncompliance from the 2007 verification visit.

In addition, the IDEA Part B grant was issued subject to Department-wide special conditions. Some of these conditions are specific to the IDEA Part B program. The Part B program also had a compliance agreement, which expired on December 17, 2010. PRDE submitted its final compliance agreement quarterly report on February 1, 2011. ED will be making a final determination regarding compliance following its on-site meetings with PRDE. Two OSEP-funded centers are providing intensive and sustained technical assistance to PRDE.

### **Recommendation**

ED is working closely with education officials in Puerto Rico to ensure that students are able to receive a high-quality education. This means providing enhanced technical assistance in various areas, including best practices, maximizing available resources for implementing a robust education agenda, and grant management support. The Task Force recommends that ED continue to invest substantially in providing technical assistance for improving PRDE grant management and education program administration.

The Task Force is encouraged that senior leadership at ED has been engaging with the Puerto Rico government to move forward and forge an enhanced relationship in order to better serve the children of Puerto Rico. Among other things, ED leadership has worked, at Puerto Rico's request, to suggest outside experts to provide a comprehensive assessment of system-wide capacity to improve educational outcomes. ED's participation in this Task Force has reinforced its commitment to continuing to provide robust technical assistance to PRDE. The Task Force recommends that ED continue to assess the efficacy and promise of these ongoing efforts, and consider expanding them, as needed, if they show promise of contributing to measurable gains in educational outcomes on the Island.

Moving forward, the Task Force encourages Puerto Rico to take advantage of ED's creation of the Implementation and Support Unit (ISU), which can assist in building capacity to implement and sustain holistic and integrated education reforms and to improve student outcomes. The ISU will enhance ED's efforts to provide and coordinate technical assistance that helps state education agencies work effectively with their districts, schools, and teachers to ensure that all students receive a high-quality education. The ISU will also serve as the single point of contact at ED for Recovery Act programs that require the involvement of the Governor and Chief State School Officers.

#### **Timeline**

This recommendation is ongoing.

#### ***4. Increasing Labor Force Participation and Enhancing Workplace Compliance***

Today, one of Puerto Rico's economic challenges is the fact that only approximately 47 percent of the adult population actively participates in the labor force.<sup>10</sup> This is due partly to policies related to payroll taxes and social programs that create disincentives to participate in the labor force and to the slow economic growth that Puerto Rico has experienced over the last decade. Improving incentives to earn income and promoting economic growth would help increase the labor supply and employment, while reducing poverty and lessening dependence on social insurance programs.

#### ***Child Tax Credit***

##### **Issue**

Puerto Rico faces serious long-term economic challenges, in particular low labor force participation and high poverty rates. The employment-to-population ratio in Puerto Rico in 2009 was lower than that of any State, and the intersection between payroll taxes and social programs creates some disincentives to labor force participation. The Task Force believes that tax policy provides a vehicle for strengthening Puerto Rico's workforce, as well as the well-being of Puerto Rican families with children.

“Puerto Rico is home to nearly four million American citizens who are no less deserving of federal economic development assistance than their fellow citizens in the states. For too long, key federal programs designed to reduce poverty and increase employment have not been extended to the island, or have been extended in only limited fashion. We urge the Task Force, respectfully but in the strongest possible terms, to recommend an end to this disparate treatment.”

—Honorable Luis G. Fortuño, Governor of Puerto Rico, Letter to the Task Force

Under current law, the child tax credit allows a credit of up to \$1,000 per child. Because Puerto Rico residents are generally not liable for Federal income tax on Puerto Rican earned income, the credit is not usable to most residents except to the extent it is refundable. The credit is partially refundable under two alternative formulas: (1) to the extent that the taxpayer’s federally taxable earned income exceeds a certain threshold; or (2) for taxpayers with three or more children, to the extent that the taxpayer’s payroll taxes exceed the earned income credit. Since Puerto Rican earned income is generally not federally taxable, most families cannot claim a refundable child tax credit under the first formula, but can under the second formula because Puerto Rican earned income is subject to payroll taxes. Thus, in practice, Puerto Rican families with fewer than three children are generally not able to claim the child tax credit even if they are paying Federal payroll taxes.

### Recommendation

The Task Force recommends extending the child tax credit to allow households with one or two children to claim a partially refundable child tax credit to the degree they have labor market earnings. Extending the child tax credit to Puerto Rican residents with fewer than three children could help reduce poverty and strengthen the labor force in Puerto Rico, because the credit is conditional on labor earnings.

### Timeline

The Task force recommends that this change be gradually phased in.

### ***Incentives for Labor Market Participation***

#### Issue

The relatively low rate of labor force participation and low wages contribute to Puerto Rico’s high poverty rates. Forty-five percent of the Puerto Rican population lives in households with resources below the U.S. poverty level.<sup>11</sup>

Public benefits make up a large share of the resources available to low-income families in Puerto Rico. Approximately 30 percent of the population currently receives assistance through Puerto Rico’s Nutrition Assistance Program (NAP).<sup>12</sup> There is evidence to suggest that some workers choose to remain in the informal labor market, rather than search for formal, full-time employment, in order to maintain these

public benefits.<sup>13</sup> In addition, payroll taxes and the phase-out of public benefits, in combination with the phase-in of income taxes, contribute to the high marginal costs faced by low-wage workers when they move into the formal, full-time labor market. Improving incentives to earn income could increase labor supply, reduce poverty, and ultimately lessen dependence on social insurance programs.

The child tax credit recommendation discussed above would help address these issues. In addition, the Task Force believes other effectively targeted measures could complement and strengthen this step.

Under current law, low-income Puerto Ricans may claim a refundable employment credit for 3 percent of earned income up to \$10,000, for a maximum credit of \$300. The credit phases out between \$10,000 and \$20,000 of earned income. To be eligible for the credit, individuals must not be claimed as a dependent on the return of another individual, and may not have unearned income in excess of \$2,200. Because the credit is calculated at the individual level, married households may be eligible for a combined credit of up to \$600. This credit shares many features with the Earned Income Tax Credit for childless workers in the Federal income tax.

Funds from the U.S. Department of the Treasury (Treasury) have been provided to the government of Puerto Rico for distribution to local residents for some social services and some tax benefits. For example, Federal appropriations are provided in support of the NAP, but the program's eligibility requirements and other characteristics are determined locally in coordination with the Federal Government. In addition, as part of ARRA, the Making Work Pay Credit was extended to Puerto Rico. To support this program, Treasury sends payments to the government of Puerto Rico, which then distributes the money to residents according to a plan approved by the Secretary of the Treasury. In the case of the Making Work Pay Credit, Puerto Rico was given to distribute among its residents an amount equal to the benefits that would have been provided had the provision applied in Puerto Rico.

“Polls also show the importance of the status issue to the people of Puerto Rico. 74% of respondents in the 2007 Gaither International poll said resolution of the status question was ‘extremely important’ or ‘very important.’ A research analyst from Gaither, quoted in *Caribbean Business*, observed that the results demonstrate that ‘many’ people in Puerto Rico ‘feel status is a major impediment to their social and economic progress.’”

—Honorable Pedro Pierluisi, Resident Commissioner from Puerto Rico,  
United States House of Representatives, Letter to the Task Force

### Recommendation

The Task Force recommends exploring the feasibility of using the Puerto Rican employment credit as the basis for an expanded family and worker credit that would provide more resources to families with children while encouraging labor force participation. This credit would be targeted toward increasing work incentives for all low-income Puerto Rican workers.

The Task Force also recommends developing a mechanism for the provision of Federal financial support for the expanded credit. Potentially, procedures similar to those developed for the NAP and the Making Work Pay Credit could be adapted to this purpose.

The Office of Tax Policy at Treasury should provide technical assistance in the design process for this expanded credit.

### **Timeline**

A feasibility study should begin in the first half of 2011.

## ***Workforce Development and Workplace Compliance***

### **Improving the Workforce System to Support Job Creation and Economic Development**

#### **Issue**

There are significant weaknesses in Puerto Rico's employment and training infrastructure, which undercut the efficiency and effectiveness of services aimed at providing assistance to people seeking jobs.

First, the employment and training sector lacks strategic planning. Reviews by the U.S. Department of Labor (DOL) Employment and Training Administration have found that the Puerto Rico State Workforce Investment Board provides limited guidance and policy direction to the Local Workforce Investment Areas (LWIAs).<sup>14</sup> In the workforce system, regional strategic planning is nonexistent, and LWIAs continue to be established based on political influence rather than regional economies. One result of this lack of planning for private sector needs is that the Puerto Rico workforce system continues to rely too heavily on training candidates for work in the public sector as opposed to private sector employment.

The second major weakness involves Puerto Rico's Local Workforce Investment Boards (LWIBs) and the hiring of local staff. The Workforce Investment Act includes a statutory requirement that local elected officials are the only individuals authorized to appoint members of LWIBs, though, in some instances, their appointments must be from recommendations of partners such as local labor federations or local business organizations. In Puerto Rico, local elected officials' influence over the workforce development leadership structure creates several challenges, largely resulting in a lack of continuity of operations and management from one administration to another. This result impedes efforts to streamline and improve operations and thus hinders the ability of programs to mature into well-managed, accountable, and responsive systems. Development of professional workforce staff, such as staff to the boards, and the institution of policies and procedures could ensure continuity of operations across political administrations for the workforce system. It may also be necessary to recommend that LWIBs incorporate bylaws that describe conflict of interest policies, where such policies are not already in place.

A third major weakness is overlapping and independent workforce development systems that lead to inefficiencies and ineffectiveness in the delivery of services. There are two largely independent systems operating on the Island: (1) career centers funded by the Workforce Investment Act; and (2) separate offices funded through the Wagner-Peyser (employment service) grant. Puerto Rico is deploying a plan to co-locate these two services in order to decrease overhead costs and redirect funding toward services for jobseekers.

### Recommendation

To address these weaknesses, the Task Force recommends that DOL provide assistance to use Puerto Rico's existing mobile units and service points more effectively to increase the number of jobseekers and employers served.

DOL should help bolster Puerto Rico's assistance program resources and help develop oversight that decreases local political interference, while simultaneously ensuring local participation and strengthening accountability and performance-driven operations in the local employment offices.

The Task Force encourages local employment agencies in Puerto Rico to mirror the structure used by Federal agencies to define a nonpolitical management structure designed to ensure: (1) protections against undue influence; (2) continuous improvement; and (3) depth of knowledge in program operations and management.

### Timeline

These recommendations are ongoing.

## Improving Workplace Compliance and Knowledge about Workers' Rights

### Issue

There are several related concerns associated with workplace safety compliance in Puerto Rico and workers' knowledge of their rights. First, evaluation reports have identified serious deficiencies in the operations of Puerto Rico's Occupational Safety and Health Administration (OSHA). The Federal Annual Monitoring Evaluation Baseline Special Evaluations Report for FY 2009, pointed to many administrative deficiencies including:

- Compliance officers lack training including basic and core training courses;
- Abatement is not tracked, verified, or documented;
- Employees are not interviewed, and health hazards are not evaluated during inspections;
- Fatalities are not fully investigated to determine cause or willfulness of the violation;
- Violations are not properly documented nor investigated; and
- Fatality letters are not sent to the next of kin.<sup>15</sup>

As with many states who are coping with the recession, Puerto Rico's budget crisis has affected compliance offices as compliance workers have been reduced by 27 percent. In addition, Puerto Rico was 25 percent below its target in the number of workplace inspections, having conducted 1,334 of its projected inspection goal of 1,679 in FY 2009.

Second, workplaces in Puerto Rico are more likely to experience fatalities even though their rate of serious OSHA violations is not particularly high. OSHA's FY 2009 special evaluation report found that Puerto Rico OSHA, under its plan, was not properly identifying hazards or classifying violations. Although the rate of serious, willful, and repeat violations identified in Puerto Rico (51 percent) is somewhat higher than the 44 percent average among States with State OSHA plans,<sup>16</sup> it is still much lower than the Federal OSHA rate of 81 percent.<sup>17</sup> The failure of Puerto Rico OSHA to identify and cite all serious hazards may

have some impact, but does not fully explain the fact that occupational fatality is higher in Puerto Rico than in the United States as a whole.

The calculated occupational fatality rate for Puerto Rico was 4.4 fatal work injuries per 100,000 workers, or about one-third higher than the rate of 3.3 per 100,000 full-time workers reported for the United States based on preliminary data for 2009.<sup>18</sup> High-risk industries in Puerto Rico also appear to have fatal injury rates well above those of the United States. The fatality rates in the private construction industry and the private transportation and warehousing industry are 27.7 and 31.1 per 100,000 workers respectively, well above the 9.7 and 12.1 rates in the United States overall.<sup>19</sup>

Occupational injury and illness rates also appear to be higher in Puerto Rico than in the United States as a whole. The incidence rate of injury and illness cases that involved days away from work in Puerto Rico was 278.4 per 10,000 full-time workers in private industry while it was 106.4 for the United States.<sup>20</sup> Some of the difference may result from differences in the industrial and occupational compositions of the workforce in Puerto Rico and the United States as a whole. But, as with fatality rates, rates of occupational injuries and illnesses with days away from work are higher in Puerto Rico than in the United States as a whole both overall and for certain industrial sectors, such as construction, transportation, and warehousing. These sectors are important in the economic development of Puerto Rico, but it is important to achieve economic goals in a way that is consonant with worker safety.

Finally, the large number of workers classifying themselves as self-employed in the monthly household surveys (14 percent) suggests that there are likely workers who are misclassified as self-employed or as independent contractors rather than employees. When workers are misclassified, employers may not grant these workers their rights under the Fair Labor Standards Act (FLSA), and many workers may not be aware that they have these rights.

DOL has already begun to take a number of steps to address these issues. The Federal OSHA is working with Puerto Rico OSHA to address the latter's program deficiencies. Examples of this work include the following:

- In November 2010, Federal OSHA Training Institute staff conducted an Accident Investigation course for Puerto Rico OSHA compliance officers and area directors, which included training on policies and procedures on contacting families of victims of workplace fatalities, investigating causes of workplace fatalities, properly classifying safety and health violations, and citing willful violations.
- OSHA Training Institute staff also trained Puerto Rico OSHA field staff and area directors in December 2010 on interviewing employees or union representatives during workplace inspections. The Puerto Rico field staff will be trained during FY 2011 on proper documentation and classification of violations.
- Area Directors were trained in December 2010 on tracking, verifying, and documenting the abatement of safety and health violations and on when to expand a partial inspection, such as to investigate an observed health hazard. Compliance officers will be trained in these areas in early 2011.

- Puerto Rico OSHA is working to develop and implement a comprehensive training plan for its compliance officers as outlined in a Federal OSHA directive.

In October 2010, DOL Wage and Hour Division (WHD) and the Puerto Rico Department of Labor and Human Resources (PRDOLHR), Labor Standards Division entered into a Memorandum of Understanding to:

- Ensure compliance with labor laws and communicate and cooperate more effectively and efficiently between the agencies;
- Exchange information on laws and regulations of common concern to the agencies;
- Conduct formal cross training of investigators, subject to agency resources; joint training will educate staff members of both agencies about the laws and regulations enforced by both, and will provide an opportunity to discuss issues of common concern; and
- Coordinate and/or conduct joint outreach presentations and prepare and distribute publications, when appropriate, to and for the regulated community of common concern.

In addition, in 2010, WHD's district office in Puerto Rico conducted two enforcement initiatives designed to promote compliance with wage and hour laws in full-service restaurants and to ensure compliance with FLSA's child labor provisions. For FY 2011, the district office has planned two compliance initiatives. The first one is intended to ensure that the Island's coffee industry is in compliance with applicable labor laws. The second initiative will be geared at increasing compliance in Puerto Rican nursing homes and residential care industries.

Furthermore, the "ENTÉRATE" initiative is an interagency collaboration to improve relationships between DOL compliance agencies, community organizations, Federal agencies, and Puerto Rico government agencies. The working group is composed of representatives from the Dominican consulate, the U.S. Equal Employment Opportunity Commission (EEOC), the U.S. National Labor Relations Board, the Puerto Rico Labor Relations Bureau, the DOL Office of Federal Contract Compliance Programs (OFCCP), the DOL Employee Benefits Security Administration, and Puerto Rico OSHA. The initiative goals are to: educate workers and employers in resolving matters and treatment in the workplace; facilitate the dissemination of compliance assistance information to draw complaints from vulnerable workers in the affected areas; follow through with the development of Federal and Puerto Rican interagency communications to ensure the appropriate level of compliance assistance is being provided; and improve collaborative partnerships with Puerto Rican agencies and with the Dominican consulate in Puerto Rico.

### Recommendation

The Task Force recommends action in the following categories: (1) interagency cooperation; (2) use of Federal resources; (3) education of workers; and (4) monitoring of workplaces.

Increasing interagency collaboration:

- Existing interagency collaborative programs, such as "ENTÉRATE," should be prioritized and strengthened, and should work on maximizing results and accountability through tools like joint evaluations and assessment programs.

Improving compliance resources:

- DOL should collaborate with Puerto Rico's agencies to make sure their compliance officers have the training required to accomplish their tasks effectively.

Increasing worker education:

- DOL enforcement agencies should continue and deepen their outreach with community-based organizations to seek input, cooperation, and assistance in identifying issues affecting workers and mechanisms for collaborating with DOL agencies. To that effect, agencies should put together timelines and activity goals related to workforce issues that are particular to the Island.

Workplace monitoring:

- DOL should monitor Federal contractor workplaces to enforce conciliation agreements, including the implementation of injunctive relief, which often requires that contractors review their equal employment opportunity personnel policies and procedures and offer training to supervisors and employees designed to remedy any discriminatory practices.

In order to improve compliance in the workplace, it is also critical that workers be empowered to monitor their workplace themselves. To do so effectively, it is important to raise awareness by educating both workers and Federal contractors so that they understand their rights and obligations under the law. DOL enforcement actions should result in safer and more efficient workplaces through the fair treatment of workers, improved opportunities for employment, and gradual improvement in the overall well-being of workers.

### Timeline

As noted, many of the recommended activities to promote interagency cooperation, to improve compliance, and to educate workers have already begun. These are long-term activities that should be ongoing.

## ***Service to Special Populations***

### **A. Expanding Employment Assistance Services to Veterans**

#### **Issue**

The Puerto Rico Community Survey shows that veterans comprised 4 percent of Puerto Rican adults in 2009, with approximately 112,500 male and 4,300 female veterans.<sup>21</sup> The employment of veterans is very low; in 2009, only 30 percent were employed, compared with 45 percent in the United States overall. Among those veterans in the labor force,<sup>22</sup> 7 percent were unemployed, a much lower unemployment rate than the 19 percent for the overall population of Puerto Rico. The unemployment rates should be interpreted with caution.<sup>23</sup> Because labor force participation among veterans and overall is very low, there likely is a meaningful number of veterans who want work but, for various reasons, are not actively looking for it. The challenge therefore is to promote labor force participation among veterans, even if it may temporarily result in higher official unemployment rates for this group.

DOL's Veterans' Employment and Training Service (VETS) provides Jobs for Veterans State Grants (JVSG) to Puerto Rico. The JVSG are formula grants based upon the number of veterans seeking employment.

In the case of Puerto Rico, providing services has historically been complicated by Puerto Rico's inability to provide quarterly performance and outcome reports on registered veterans, those who have been referred to training and employment services, and those who have been enrolled in training or employed. In addition, providing services to homeless veterans is an ongoing challenge. The problem of homelessness among veterans in Puerto Rico appears to be growing. Veterans represented 2.1 percent of the homeless in 2003 and 4.6 percent in 2009, according to the Census of the Homeless (Censo de Personas Sin Hogar).<sup>24</sup> No veterans' service organizations in Puerto Rico applied for Homeless Veterans Reintegration Program grants, and it is unclear whether these organizations have an infrastructure sufficiently robust to apply for and manage Federal grants.

“We have served in all your wars, we have defended your way of life and we deserve to be treated with outmost respect when the hour comes for the final determination of the political status we want to live in.”

—Puerto Rico Civic Leader, E-mail Submission to the Task Force

### Recommendation

The Task Force recommends the following to address the problems identified above:

Increasing employment:

- OFCCP should partner with PRDOLHR and the Puerto Rico Vocational Rehabilitation Administration (VRA), as well as local agencies and advocacy organizations serving veterans in Puerto Rico, in order to improve the overall quality of employment services to veterans.
- The U.S. Department of Veterans Affairs (VA) Offices of Small and Disadvantaged Business Utilization and Vocational Rehabilitation and Employment Service should collaborate with the Puerto Rico Department of Economic Development and Commerce and VRA to mentor and train recently unemployed veterans in Puerto Rico in order to reintegrate them into the workforce.

Reducing homelessness among veterans:

- Homeless veteran issues in Puerto Rico need to be fully assessed and require a broader discussion with Island leadership to encourage participation in the VETS homeless programs. Service providers on the Island need assistance and training on applying for and managing grants. The VETS Regional Office should provide technical assistance and grant management support to the known homeless service providers to encourage them to apply for homeless veterans grants as well as other DOL/VETS grants that may be available. HUD and VA would be vital Federal partners in addressing this issue.

### Timeline

Another grant cycle for homeless veterans grant programs will begin in early 2011. DOL VETS should continue to encourage organizations to submit applications for these competitive grants and should provide technical assistance and training sessions to explain how to apply for grants.

To support its recommendation to reintegrate veterans into the workforce through mentoring and training, VA should conduct a needs assessment, develop a plan of action, and begin to reach out to Puerto Rico veterans by mid-summer of 2012.

## B. Improving Access to Employment for People with Disabilities

### Issue

People in Puerto Rico are more likely to have disabilities than people living on the mainland. In 2009, there were 763,000 persons age 16 and older with a disability in Puerto Rico. This is nearly a quarter of the population age 16 and over and significantly higher than the 15 percent rate for the mainland. Those with disabilities in Puerto Rico are less likely to work; in 2009, only 14 percent of the population with disabilities was employed, compared with 22 percent of the population with disabilities in the United States overall. Puerto Ricans with disabilities who are looking for work face a greater likelihood of unemployment than the general population or than people with disabilities on the mainland. The unemployment rate in 2009 was 22 percent for people with disabilities in Puerto Rico, compared with an overall unemployment rate of 19 percent in Puerto Rico and of 17 percent among people with disabilities on the mainland.<sup>25</sup>

The Oficina del Procurador de Personas con Impedimentos (Office of the Advocate for Persons with Disabilities, or OPPI) is the ombudsman office for people with disabilities. OPPI annually advocates for the employment rights of over 10,000 people with disabilities, provides legal guidance and representation in over 800 cases, and inspects around 350 service providers. Recently, however, OPPI suffered a 35 percent reduction in its budget due to Puerto Rico's fiscal crisis, thus reducing the staff from 38 to 16.<sup>26</sup>

In addition to Puerto Rico's government agencies, the EEOC has an integral role in combating employment discrimination against individuals with disabilities on the Island through its office in San Juan. The EEOC enforces Title I of the Americans with Disabilities Act of 1990 (ADA), recently amended by the ADA Amendments Act of 2008 (ADAAA), and Sections 501 and 505 of the Rehabilitation Act of 1973 (the Rehabilitation Act). Taken together, these Federal laws prohibit employment discrimination on the basis of disability by certain private sector employers and Federal, State, and local government employers. These laws also require employers to reasonably accommodate an applicant or employee's disability, unless doing so would impose an undue hardship on the operation of the employer's business.

In conjunction with their enforcement activities, the EEOC's San Juan and Miami offices conduct a number of events to educate employee groups, advocacy organizations, and the general public about the ADA, ADAAA, and the Rehabilitation Act.

### Recommendation

A number of steps are already being taken to address the needs of individuals with disabilities on the Island. OFCCP focuses on assisting individuals with disabilities to gain access to employment through its Caribbean Field Station, which has engaged in community outreach events and activities to both contractors and community-based organizations in Puerto Rico. These include seminars in construction, supply and service, and outreach to veterans and individuals with disabilities.

OFCCP is expanding its relationships with nonprofit organizations, such as SER de Puerto Rico and Movimiento para el Alcance de Vida Independiente. These two organizations represent people with disabilities and assist them in finding jobs. As part of its efforts to enhance relationships with the Puerto Rico government, OFCCP has also approached OPPI, which is part of the Governor's Pro-Hiring of People with Impediments Committee and focuses on vocational rehabilitation and protection of rights for people with disabilities. It is hoped that such partnerships would expand the network of groups that help workers find good employment.

The Task Force recommends that DOL assist in implementing the following:

- Deepen partnerships and build stronger relationships between DOL agencies, including its Office of Disability Employment Policy, and PRDE, PRDOLHR, VRA, and other Puerto Rican agencies, businesses, and community-based organizations to develop collaborative projects around issues such as customized employment to assist workers with disabilities;
- Facilitate communication and collaboration between DOL, PRDOLHR, PRDE, VRA, and the Puerto Rico Department of the Family, the Puerto Rican agency charged with providing services to clients with disabilities through their safety net programs;
- Seek out financial literacy efforts, benefits planning, and other asset building efforts encouraging work, which can increase the prospects for employment for people with disabilities, as well as improve their long-term economic outcomes;
- Encourage policies that focus on competitive and customized employment strategies and flexibility in the workplace. These can enhance employment opportunities and job success for people with and without disabilities. Businesses have traditionally used company policies and programs to accommodate the needs of all employees, including flextime, telecommuting, job sharing, family leave, child care, and health care coverage. Using customized employment strategies to individualize the employment relationship between the job seeker and the employer can meet the needs of both and can greatly improve employment opportunities for people with disabilities, both on the Island and on the mainland; and
- Review and strengthen the recruiting and hiring policies of Federal agencies operating in Puerto Rico to increase the employment of people with disabilities within the Federal workforce on the Island.

### Timeline

These policy recommendations are ongoing, and the timeline is long term.

## 5. Promoting Access to Health Care

### **Medicaid**

#### **Issue**

Established in 1965, Medicaid is a joint Federal-State program that finances health care coverage for certain categories of low-income individuals. To obtain Federal matching funds, States must operate their Medicaid programs within broad Federal guidelines and under federally approved plans.

The Federal Medical Assistance Percentage (FMAP), which represents the Federal share of spending in Medicaid programs, is based on average per capita income, relative to national per capita income. States may receive an unlimited amount of matching Federal dollars as long as they document valid expenditures under their State plans. In FY 2011, State FMAP rates range from 50 percent to 74.73 percent.

For Puerto Rico, however, the FMAP is statutorily set at 50 percent. In addition, total Federal Medicaid spending in Puerto Rico is subject to an annual dollar limit or cap. As a result, the Federal Government only matches every Medicaid dollar spent by Puerto Rico up to its limit, and any spending above the limit is not matched. When the capped Federal contribution is compared with Puerto Rico's contribution to the health care needs of Medicaid eligible beneficiaries, the effective FMAP rate is estimated to be approximately 18 percent.<sup>27</sup> Thus, the cap limits Federal funding to a level below what it would be if Puerto Rico were treated as a State. This is not because of its size; the Medicaid-eligible population in Puerto Rico is approximately 885,000, or greater than the Medicaid-eligible populations of 29 States.<sup>28</sup>

The impact of the Medicaid cap on the range of coverage for certain mandatory and many optional services is considerable. There are a number of Medicaid beneficiaries affected by the lack of access to the full spectrum of services provided under this program. For example, many children aged 0-18 years who are below the Federal poverty level receive limited benefits from the Early Periodic Screening, Diagnostic, and Treatment Program. Furthermore, elderly Puerto Ricans over the age of 65 and Puerto Ricans with disabilities are impacted because there are no available funds for home and community-based waiver programs or the innovative Program of All-Inclusive Care for the Elderly. Many of these individuals receive care from family members or in government-licensed homes with limited support services or medical supervision. In addition, Puerto Rico faces significant challenges in financing costs of nursing homes and certain care facilities for people who are developmentally disabled.

Puerto Rico was not included in the legislation that established the Medicaid disproportionate share hospital (DSH) program, which provides supplementary payments to hospitals that serve large numbers of Medicaid and low-income uninsured patients. This further limits Puerto Rico's ability to adequately serve its residents.

#### **Recommendation**

The Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Reconciliation Act of 2010 (together, the Affordable Care Act) provide an FMAP increase for Puerto Rico from 50 percent to 55 percent effective July 1, 2011. The Affordable Care Act also increases the overall Federal limit for territories by \$6.3 billion from July 1, 2011 through September 30, 2019. Additionally, the Affordable Care Act provides \$925 million that Puerto Rico may elect, if it establishes a health insurance Exchange, to use for providing premium and cost-sharing assistance to residents obtaining coverage through the

Exchange, or obtain an equivalent increase in its Medicaid funding cap. Furthermore, ARRA provided temporary increases to Puerto Rico's annual Federal spending limits from the first quarter of FY 2009 through the first quarter of FY 2011. In August 2010, Congress extended this assistance for an additional six months, through June 2011.

The Affordable Care Act and ARRA each made substantial progress toward achieving a more equitable health care delivery system, including by making progress on Medicaid funding concerns for Puerto Rico.

The Task Force recommends that the Administration work with Congress to build on this foundation and work toward further progress in achieving a more effective, efficient, and equitable health care system for Puerto Rico. This may include exploring options for improving health coverage and benefits, encouraging delivery system innovations, considering additional adjustments to the Medicaid funding cap, and supporting the potential establishment and operation of an Exchange.

The Task Force further recommends that Federal agencies work together to ensure that the Affordable Care Act provisions are implemented to maximize the availability of health services to Puerto Ricans.

### Timeline

Over the long term, Puerto Rico's Medicaid program should continue to be monitored closely, and post-Affordable Care Act needs should continue to be studied so that the Administration acquires the information necessary to work with Congress to further strengthen Puerto Rico's health care system.

### ***Expanding Health Care Access in Puerto Rico***

#### Issue

Puerto Rico's health care delivery system is faced with the growing demands of treating, chronic illnesses, malnutrition, and infectious diseases, as well as more advanced medical challenges, such as cardiovascular disease, substance abuse, mental illness, and cancer. The distribution of available clinical resources and health care professionals is focused in the large metropolitan areas, while the outlying communities and rural areas have limited access to care and treatment.

A Pan American Health Organization survey of medical facilities found that Puerto Rico had 67 hospitals in 2002–2004.<sup>29</sup> In terms of distribution, 38 percent (27) of the hospitals were in the San Juan metropolitan region; 16 percent (11) in the Ponce region; 13 percent (9) in Arecibo, Caguas, and Mayagüez; and 7 percent (5) in Bayamón. The metropolitan region had the highest proportion of hospitals per population (1 per 40,420), while Bayamón had the lowest. The distribution of available beds per 1,000 persons also varied significantly. The national average was 3.3 beds per 1,000 persons, but the metropolitan region accounted for 40 percent of the 12,642 beds. Currently, there are 59 acute care hospitals, 39 of which are accredited by the Joint Commission for the Accreditation of Hospitals and Healthcare Organizations.

In addition to hospitals, Puerto Rico has 19 Federally Qualified Health Centers operating a total of 41 individual sites. Furthermore, there are currently 1,385 provider facilities that offer health care services to Puerto Rico's population of approximately four million residents. Ambulatory surgical centers, hospitals, home health agencies, hospices, dialysis facilities, community mental health centers, and skilled nursing facilities make up the largest number of provider types. According to the registry of health professionals, there were 54,120 active health professionals in 2001–2004 (38.8 percent were concentrated in the metropolitan region).<sup>30</sup>

The Administration is taking steps to address health care access issues for Puerto Rico's Medicare beneficiaries by proposing to set Medicare Advantage payment rates in Puerto Rico in a more generous manner. Under Medicare Advantage, beneficiaries can choose to receive their Medicare benefits from private insurance contractors. The Centers for Medicare & Medicaid Services' (CMS) proposed methodology was developed to address the unique characteristics of the Medicare program in Puerto Rico.

### Recommendation

The Task Force recommends that the U.S. Department of Health and Human Services (HHS) work with Puerto Rico to take the following steps to improve health and health care access in Puerto Rico:

- Explore Critical Access Hospital (CAH) designation for rural hospitals on the Island. A hospital must meet certain statutory criteria to be designated a CAH. Eligible facilities are reimbursed 101 percent of reasonable costs for treating Medicare beneficiaries.
- Explore methods to better inform beneficiaries in Puerto Rico about Medicare Part B eligibility and the penalties for late enrollment. Medicare Part B is a voluntary program that provides coverage for doctors' services and outpatient care. Part B requires the payment of a monthly premium. Enrollment is automatic for eligible residents of the mainland United States who are receiving Social Security; however, Puerto Ricans must "opt-in" by contacting their local Social Security Office. While it would serve the cause of equity to automatically enroll Puerto Ricans in Part B, there is also a risk that a substantial number of those who are eligible would elect not to participate in the program because they may find the premiums to be unaffordable. Those who fail to disenroll would have premiums deducted from their Social Security payments. On the other hand, some people in Puerto Rico may not understand that they need to enroll separately in Medicare Part B. If they choose to enroll on their own but not at the appropriate time, they are charged a late fee. This policy applies to all Medicare beneficiaries who enroll outside of the initial enrollment period. Only about 78 percent of eligible beneficiaries in Puerto Rico are enrolled in Part B, compared to approximately 94 percent of eligible beneficiaries across the United States.

The Task Force recommends extensive beneficiary education and outreach activities to better inform beneficiaries regarding Medicare enrollment policies. The Task Force also recommends that HHS explore using its demonstration authority to waive the late penalties during the education and outreach transition period and for a limited time after this period to evaluate whether the penalties significantly affect beneficiary selection as well as enrollment rates.

- Prepare a report on the amount of Medicare DSH payments needed to account for the higher cost of serving low-income beneficiaries in Puerto Rico, particularly in light of changes made to Medicare DSH payments and Medicaid eligibility in the Affordable Care Act. A hospital's Medicare DSH payments are based, in part on the proportion of Medicare inpatient days attributable to Medicare beneficiaries who are recipients of supplemental security income (SSI) relative to all Medicare inpatient days, and in part on the proportion of Medicaid (non-Medicare) inpatient days to total inpatient days. Medicare DSH payments to hospitals in Puerto Rico are limited because of the statutory ineligibility for SSI payments to most residents on the Island. This results in significantly lower Medicare DSH payments. However, the Affordable Care Act made changes in the Medicare DSH formula by allowing a significant part (75 percent) of the

formula to be based on the level of uncompensated care provided to uninsured individuals. The Affordable Care Act also increased Medicaid eligibility. The effect of these changes on Puerto Rico's hospital payments should be evaluated before proposing legislation in this area.

Under the Medicare Modernization Act of 2003, low-income Part D eligible persons residing in Puerto Rico are not eligible for premium and cost sharing subsidies available to residents of mainland United States. Instead, an enhanced Medicaid allotment is provided to Puerto Rico for use to cover Medicare Part D medications based on a locally developed plan. To better understand the effects of these policies, the Task Force recommends that CMS conduct a study to assess to what extent Puerto Rico beneficiaries are unable to access affordable prescription drugs. This study should explore options to ensure access to necessary drug coverage in Puerto Rico.

### Timeline

PRDOH has identified potential sites that may qualify for a CAH designation, and is working with HHS to explore that option. Several steps must be completed before a facility can receive a CAH designation. Therefore, even if this option is feasible, it would be a long-term process.

By January 1, 2012, CMS should develop a plan for the outreach activities regarding Medicare enrollment policies, coordinating with the Social Security Administration as appropriate. CMS should begin implementing this plan by July 1, 2012.

CMS should provide the final report based upon its study of the extent to which Puerto Rico beneficiaries are unable to access affordable prescription drugs by July 1, 2012.

## ***Combating the Dengue Fever Outbreak***

### Issue

Dengue fever is caused by any one of four related viruses transmitted by mosquitoes, and is a leading cause of illness and death in the tropics and subtropics. More than one-third of the world's population lives in areas at risk for transmission, and as many as 100 million are infected yearly.

Although dengue fever rarely occurs in the continental United States, it is endemic in Puerto Rico. Puerto Rico has a dengue surveillance program and reports cases of dengue on a weekly basis. In 2010, the PRDOH reported over 22,000 suspected cases; approximately 50 percent of those cases have been confirmed. According to the Centers for Disease Control and Prevention (CDC), 33 people died of dengue fever during that epidemic.

There are not yet any vaccines to prevent infection with dengue virus and the most effective protective measures involve avoiding mosquito bites. Early recognition and prompt supportive treatment can substantially lower the risk of developing a severe case.

### Recommendation

The Task Force recommends that CDC work with PRDOH to build on their partnership to identify best practices, to develop and to share mitigation strategies, and to monitor outbreaks of dengue fever.

In the medium term, Puerto Rico and CDC should increase their collaboration on mitigation and monitoring activities. Collaboration between CDC and PRDOH has led to the development of work groups to develop plans and applications for potential funding opportunities. The work groups are focused on the following areas:

- Dengue diagnostics—laboratory support
- Routine dengue surveillance
- Vector surveillance and control
- Database development and support
- Dengue information resources center

#### **Timeframe**

Collaboration between CDC and PRDOH is ongoing.

#### ***HIV Outreach and Education Initiative for Veterans***

##### **Issue**

Veterans in Puerto Rico are disproportionately affected by Puerto Rico's high per capita rate of HIV-positive residents. In addition to the transmission risk due to sexual activity, they are at an increased risk due to the high incidence of substance abuse and mental health problems among veterans.

##### **Recommendation**

VA should continue raising Island-wide HIV/AIDS awareness and providing onsite clinic testing to ensure that veterans living in high-risk population areas are afforded an opportunity to be tested, treated, and enrolled into the VA health care system. The targeted outcome of this initiative should be 100 percent testing of veterans who consent to be tested and enrollment in health care services for any HIV-positive veteran residing in Puerto Rico who is eligible for services.

##### **Timeline**

This initiative is ongoing. VA participated in awareness events on November 17 and 22, 2010. Metrics from these events are being analyzed to inform future events. VA and HHS should work together in the coming year to expand this program beyond veterans, where possible.

### ***6. Protecting Health through Water Quality***

#### ***Drinking Water Systems***

##### **Issue**

Ensuring adequate clean drinking water has been a significant long-term challenge in Puerto Rico. Approximately 300 local public water systems that supply drinking water to communities in Puerto Rico are not operated by the Puerto Rico Aqueduct and Sewer Authority (PRASA). These systems are commonly referred to as non-PRASA drinking water systems, and often do not operate in compliance with the Safe Drinking Water Act (SDWA) or its implementing regulations, including the Surface Water

Treatment Rule (SWTR). SDWA is the main Federal law that ensures the quality of drinking water in the United States. Under this Act, EPA sets standards for the quality of drinking water and oversees the states, localities, and water suppliers who implement those standards. In 1989, the United States promulgated SWTR, which generally requires all public water systems that use surface water sources to provide disinfection and filtration unless source quality and site-specific criteria are met. The SWTR also requires public water systems to be operated by qualified personnel.

Achieving full compliance is difficult as it is expensive to install the necessary filtration and disinfection equipment and to have staff trained to operate the system. EPA has had difficulty obtaining compliance through outreach and enforcement actions.

### **Recommendation**

Given the difficulty in achieving compliance through outreach and enforcement efforts, the Task Force recommends that EPA work with pilot communities to identify funding opportunities to install proper filtration and disinfection equipment and new ways to implement small drinking water purification systems. This would help provide cleaner drinking water to communities. EPA would gain knowledge and insight working with these communities, and could use those successful experiences as positive examples when working with other communities to provide safe drinking water.

This recommendation could provide health benefits to the communities selected and potentially provide a useful model to work with other non-PRASA drinking water systems in achieving compliance with SDWA.

### **Timeline**

EPA should identify a funding source within the next year and work to begin the project within the next two years.

## ***Municipal Separate Storm Sewer Systems***

### **Issue**

EPA's Caribbean Environmental Protection Division issued a National Pollutant Discharge Elimination System General Permit for discharges from small municipal separate storm sewer systems (MS4 General Permit). This General Permit allows operators of small municipal separate storm sewer systems (MS4s) who seek coverage under this permit to discharge pollutants into waters of the United States, provided the discharge is in accordance with the conditions and requirements of the permit. The permit provides coverage for operators of small MS4s from November 6, 2006 through November 6, 2011.

Approximately 78 municipalities in Puerto Rico operate MS4s that were required to obtain coverage and operate under the MS4 General Permit. Since that permit was issued, EPA has received residential complaints and determined through inspections that many of the municipalities have not applied for coverage under the MS4 and/or have not been properly operating, maintaining, or upgrading their storm sewer systems. In certain areas of the Island, illicit interconnections of the storm sewer system with sanitary sewage systems are causing sewage overflows onto private and public property during heavy storms.

EPA has also found that the vast majority of the municipalities do not seem to be very familiar with the operation of their systems or the requirements of the Clean Water Act (CWA). The CWA's purpose is to stop pollutants from being discharged into the waterways of the United States, and to maintain water quality to provide a safe environment for fishing and swimming.

### Recommendation

The Task Force recommends that EPA provide training for the municipalities in five regional areas (the North, South, East, West, and Metro). These trainings should focus on the permit requirements that each municipality: (1) develop, implement, and enforce a program to detect and eliminate illicit connections on its storm water system; (2) address non-storm water discharges on the system; and (3) properly operate and maintain its system.

Since many of the municipalities do not have funding available to make upgrades to their storm sewer systems, the training sessions should also provide information about potential funding from the Clean Water State Revolving Fund, which may provide assistance to fund necessary construction projects. This training should help the municipalities focus on the need to: operate their MS4s more effectively; prevent CWA violations; and repair any problems in their MS4s as soon as practicable, in order to prevent further environmental contamination.

The current MS4 General Permit is set to expire on November 6, 2011. As the revised Permit may contain new conditions of permit coverage, the Task Force recommends that EPA provide additional training to the operators of MS4s on requirements of the revised permit when it is issued. Such training should assist the municipalities in improving the operations of their MS4s and help reduce CWA violations, thereby reducing the number of pollutants entering the waters of Puerto Rico.

### Timeline

The trainings should begin in 2011, and can be completed in a few months.

## 7. Strengthening Public Safety

### Issue

Public safety is a significant challenge in Puerto Rico. During the Task Force hearings, Puerto Rican citizens raised significant concerns about crime and the response of law enforcement—both in general and in specific communities. Overall, according to the Federal Bureau of Investigation's (FBI) Violent Crime Index, reported violent crime is less in Puerto Rico than the United States as a whole. However, the homicide rate in Puerto Rico is alarmingly high. Homicides and non-negligent manslaughter increased in number by 23 percent (from 728 to 894) between 2007 and 2009, which is a rate increase of 22 percent (from 18.5 to 22.5 per 100,000 persons).<sup>31</sup> Between 2009 and 2010, this number increased by 9.1 percent.<sup>32</sup> A total of 983 murders were reported for 2010, which ended with the second highest murder rate in Puerto Rico's history.<sup>33</sup> Since 2007, trends in two out of the four classes of violent crime (murder and robbery) increased in Puerto Rico but decreased in the United States overall.<sup>34</sup>

Puerto Rico's geographic location makes it especially vulnerable to transnational crime. Puerto Rico is located east of the Dominican Republic and west of Saint Thomas, USVI. It is located along the Mona Passage, a key shipping lane to the Panama Canal. With approximately 300 miles of unprotected

shoreline, it has become a significant transshipment point for drugs between South America and the continental United States.

In addition, Puerto Rico has the largest airport and seaport in the Caribbean. The San Juan Port is the fourth busiest cargo port in the Western Hemisphere. In the south, the Ponce Port is being enhanced to become the largest transshipment port in the region (Port of the Americas). It will be shipping considerable marine cargo and will handle exports to markets in the Americas and Europe.

As the United States has deployed more personnel to combat illicit activity along the Mexican border, drug traffickers continue to seek out new methods to elude authorities by air, land, and sea, and the Caribbean corridor has remained an important and viable smuggling route. The continued success of efforts along the Southwest border could lead traffickers to shift vectors to other transshipment points in the Eastern Pacific and the Caribbean. An increase in narco-trafficking activity in Puerto Rico would likely have a direct correlation to the increase of crime on the Island.

Firearms, many entering the Island illegally, contribute to the homicide rate and drug-related violence. The U.S. Department of Homeland Security (DHS) and the U.S. Department of Justice (DOJ) have both communicated with the government of Puerto Rico on the firearms issue. Discussions continue on how to most effectively leverage existing partnerships between the Federal Government and Puerto Rico, interagency programs designed to combat illicit activity, and limited resources, in order to increase capacity for joint action.

In October 2010, DOJ announced the results of one of the largest law enforcement corruption operations in history, which included the indictment of 133 people, including 89 law enforcement officers, in Puerto Rico. The Governor has expressed his intention to work with DOJ to eradicate corruption in Puerto Rico and to improve the criminal justice system.

### **Recommendation**

The Task Force believes that significant attention must be paid both to the capacity of local law enforcement and the efforts of the Federal agencies charged with public safety in Puerto Rico. Improvements in public safety in Puerto Rico would redound to the benefit of the people of Puerto Rico and to the United States' broader efforts to combat narco-trafficking throughout the Americas.

#### ***Building Capacity in the Puerto Rican Criminal Justice System***

The Puerto Rico Police Department and the criminal justice system are critical to ensuring the public safety of the people of Puerto Rico and are essential partners with the Federal Government in its efforts to stop transnational crime. Any effort to build capacity would require significant commitment from a multitude of stakeholders in Puerto Rico, including the Governor's office, the various criminal justice sectors, and the community.

The Task Force recommends that Federal law enforcement agencies significantly deepen their engagement with the Puerto Rican criminal justice system, among other things, to provide needed training and technical assistance. As a first step, the Task Force recommends that DOJ identify high-level stakeholders in Puerto Rico to partner with DOJ, DHS, and other Federal law enforcement authorities to begin the process of building consensus for implementing appropriate reforms of the justice system in Puerto

Rico. As part of this process, Federal law enforcement agencies should hold a public safety summit in 2011 to hear directly from stakeholders and the community.

“President Obama expanded the original scope of this Task Force to include consideration of both the status and the economic situation of Puerto Rico. There is one takeaway that I hope this Task Force will understand after this hearing: that Puerto Rico’s history of economic development is inextricably linked with its territorial status.”

—Community Leader, E-mail Submission to the Task Force

To advance this effort, the Task Force recommends that DOJ, DHS, and other Federal law enforcement agencies identify a research partner in Puerto Rico and commence a research-based needs assessment of various public safety sectors, including the police department, court system, juvenile system, victim services, prosecutorial system, and other aspects of the public safety system. DOJ has had great success in using collaborative problem-solving models, such as the Strategic Approaches to Community Safety Initiatives model, to improve local public safety efforts.

### ***Development of Formal Interagency Public Safety Coordination***

Addressing public safety in Puerto Rico requires stronger, more formal interagency coordination. Coordination between Federal authorities already present on the Island, such as the FBI, the Drug Enforcement Administration, the Bureau of Alcohol, Tobacco, Firearms and Explosives, the U.S. Marshals Service, the U.S. Coast Guard, the U.S. Immigration and Customs Enforcement, the Transportation Security Administration (TSA), and Customs and Border Protection (CBP), and new initiatives under current interagency initiatives, such as the Caribbean Basin Security Initiative (CBSI), the Caribbean Border Interagency Group (CBIG), and the High Intensity Drug Trafficking Areas (HIDTA) program, would promote and reinforce regional cooperation regarding public safety and security. Working together with Puerto Rican law enforcement authorities, Federal agencies should take stock of Federal Government programs to ascertain how to leverage them toward the common goal of a safer Puerto Rico.

The Task Force recommends that the various Federal agencies with security and law enforcement responsibilities convene a working group to begin a formal, interagency process of coordination and collaboration regarding Puerto Rico’s security and safety. The Administration should invite Puerto Rico to designate a representative from the Governor’s office, or from a cabinet-level agency, to this interagency working group.

Once the working group is formed, it would determine what potential joint and/or combined operations (such as CBSI, CBIG, HIDTA program) are needed under existing or future interagency initiatives, while ensuring that the Federal agencies on the mainland are working with existing Federal law enforcement, homeland security, and local Puerto Rican law enforcement. This working group would also develop a comprehensive government-wide policy or approach to address Puerto Rico’s security and law enforcement challenges.

### Timeline

The initial outreach to stakeholders and the identification of a research partner should occur by March 31, 2011. The interagency group should be convened by April 30, 2011. The public safety summit should occur by the end of 2011.

## **8. Developing a 21st Century Infrastructure**

To facilitate economic growth, Puerto Rico must build 21st century infrastructure to connect people and ideas. There are many ways in which this needs to occur. The Report will focus on two ways: (1) the expansion of broadband access to more Puerto Ricans; and (2) the development of the Naval Station Roosevelt Roads.

### **Connecting Puerto Rico to Broadband Access**

#### Issue

Puerto Rico experiences significant disparities in broadband access between urban and rural municipal localities and across various income and educational levels. Few Puerto Rican residents outside of the San Juan metropolitan area have access to broadband at home because there is no broadband available. Quality, speed, and reliability vary greatly across the Island.

Broadband access represents a competitive advantage. As Puerto Rico becomes increasingly competitive in a broader, international context, lack of broadband access will be a major challenge. Nearly every policy area discussed in this Report could be better managed with a more robust broadband infrastructure.

#### Recommendation

Following the award of the BTOP grants to Puerto Rico from DOC NTIA, the Task Force recommends that NTIA, in fulfilling its responsibility to monitor and oversee these grants, help develop an interagency team as described in the Task Force's economic recommendation regarding capacity building. NTIA's efforts should include the implementation of an oversight plan designed to ensure that awardees complete projects on time and on budget, as well as to prevent waste, fraud, and abuse.

The Task Force recommends that NTIA complement these efforts with appropriate capacity building strategies on the Island. In particular, NTIA should work with Puerto Rican officials and grant recipients to identify how these projects, brought to their successful conclusion, can serve as models for future investments that would further accelerate and expand access to broadband across Puerto Rico. NTIA should also seek to measure and report on the economic and social benefits of broadband investments in the communities where they serve, including the areas of Puerto Rico covered by BTOP grants. To the extent possible, NTIA, as well as other DOC agencies, should also assist in identifying other funding sources that may help support additional projects to address the broadband access and adoption needs of Puerto Rican citizens, businesses, anchor institutions, and public safety entities.

### Timeline

BTOP grant projects must be substantially complete within 2 years and fully complete within 3 years of their award date. During that time, NTIA should work closely with recipients to ensure that projects deliver the benefits promised to communities across Puerto Rico.

### ***Naval Station Roosevelt Roads (Ceiba, Puerto Rico)***

#### Issue

The Naval Station Roosevelt Roads (NSRR), a major naval installation consisting of over 8,600 acres in Ceiba, Puerto Rico, closed on March 31, 2004 after supporting U.S. military operations for over 60 years. With assistance from the U.S. Department of Defense (DOD) Office of Economic Adjustment and the U.S. Department of the Navy (Navy), approximately 4,803 acres have been transferred as public benefit conveyances to various Puerto Rican agencies for civilian use. This includes a 1,646-acre former airfield, which was transferred to the Puerto Rico Ports Authority by the Federal Aviation Administration, in order to provide flight service to nearby islands, including Vieques. Furthermore, a Navy hospital has been conveyed to the Servicios de Salud Episcopales, Inc. (Puerto Rico Episcopal Health Services) through an HHS-sponsored transfer. The hospital will serve the municipalities near NSRR, as well as the islands of Culebra and Vieques. This hospital is scheduled to open for public use in early 2012.

In addition, the Navy plans to transfer the remaining 3,800 acres of NSRR property via public sale and economic development conveyance in 2011. The redevelopment plan for the installation is expected to create nearly 30,000 direct and induced jobs through a phased development across 11 separate projects. The "Port Caribe" project, which is part of the development plans for this property, seeks to establish a world-class resort destination with international cruise ship and ferry terminals. This ferry service would provide transportation to and from Culebra and Vieques for routine medical appointments and treatment, addressing some of the health care issues on Vieques described later in this Report.

There are significant challenges with this major redevelopment effort that require further Federal coordination. For example, infrastructure and utility upgrades alone are expected to cost about \$365 million, and Federal assistance would accelerate upgrades to this infrastructure, attract investors and developers, expedite the phased redevelopment, and create jobs. The Local Redevelopment Authority (LRA) could request that Puerto Rico mitigate the cost of its significant borrowing needs through HUD's Section 108 Loan Guarantee program, which would leverage Community Development Block Grant funding and provide gap financing for specific projects. Similarly, Puerto Rico could apply for a grant from the DOC Economic Development Administration (EDA) for engineering design and construction assistance.

Furthermore, there are some environmental issues under EPA's Corrective Action program that should be addressed as planning continues. EPA should assist in choosing sustainable practices as the redevelopment effort moves forward.

### **Recommendation**

The Task Force recommends that a Federal team consisting of the U.S. Department of Agriculture (USDA), the U.S. Department of the Interior (DOI), DOD Office of Economic Adjustment, the U.S. Department of Transportation, DOC, HHS, HUD, and EPA convene to coordinate Federal support (both technical and financial) for LRA's specific infrastructure requirements.

### **Timeline**

The Roosevelt Roads Federal team should organize its initial meeting within the next six months, identifying a Federal funding strategy to facilitate infrastructure/utility system upgrades.

## ***9. Economic Empowerment Zones***

### **Issue**

The original Empowerment Zone program was launched in 1994 as a combination of tax incentives and grants for distressed communities. The 2012 budget includes a proposal for a new, national competition to identify 20 Growth Zones, which are designed to build on the successes of Empowerment Zones. The zones will receive flexible grants for planning, seed capital, technical assistance, and other activities through EDA, Federal program flexibility, and two tax incentives: an employment incentive and an investment incentive.

### **Recommendation**

As the Obama Administration further develops this proposal, the Task Force recommends that zones in Puerto Rico be eligible to apply for the designation to take advantage of the benefits that are associated with it.

### **Timeline**

The existing Federal Empowerment Zone program will expire at the end of 2011. The Administration should work with stakeholders and Congress on legislation to authorize the Growth Zone proposal contained in the FY 2012 budget.





# Recommendations for Building Competitive Industries

The previous sections of this Report have identified the economic challenges facing Puerto Rico and made a series of recommendations to address them. Once the building blocks of growth are in place, Puerto Rico must look forward to develop a competitive set of industries that will drive growth and job creation in the decades to come. While we expect Puerto Rico's own leadership and local stakeholders to be best positioned to articulate an economic development strategy, the Task Force has identified three industries that could potentially drive long-term growth and job creation on the Island. In particular, Puerto Rico has a solid foundation on which to grow its clean energy, its role as an economic and tourism hub and gateway to the Caribbean and Latin America, and its health care industries.

“A clear and permanent status must lead the way to sustained growth and progress. It will give Puerto Rico important tools such as permanence, credibility, security, dignity, political power and a broader comprehension around the world of its political concept. These elements are fundamental to building the new economy necessary to lead us into the new global economy of the 21st century through enhanced competitiveness and sustainable growth.”

—Community Leader, E-mail Submission to the Task Force

## *1. Developing Puerto Rico as a Model for Clean Energy*

### **Issue**

Puerto Rico is facing many energy challenges. Puerto Rico's energy costs are two to three times higher than in the United States overall because the Island relies heavily on oil to generate electricity. When the price of oil spikes, as it did in the summer of 2008, the effect on businesses and other consumers is devastating. Those high and unpredictable energy costs have made the Island less desirable for businesses, which, in turn, has contributed to a declining manufacturing base and increased unemployment. Moreover, Puerto Ricans have less disposable income because their utility bills are among the highest in the nation. Governor Fortuño recently declared “an energy crisis” due to Puerto Rico's dependence on oil and “an obsolete infrastructure.”

After taking office in 2009, Governor Fortuño took the first in a series of steps to transform the energy landscape of Puerto Rico by signing Executive Order 2009-23. The Order creates an Energy Public Policy Committee that is responsible for preparing and advising the Governor on a new energy policy for Puerto Rico. This energy policy will include “the diversification of energy resources, ensuring that the electricity supply on the [I]sland is affordable, reliable, and sustainable, and reduces greenhouse gas emissions.”

The Committee is authorized to prepare recommendations to develop and install new, alternative, clean, and renewable energy; to improve energy efficiency and accessibility to energy generation; to improve distribution and transmission; to maximize the use of Federal incentives; and to expedite permits for energy projects that comply with the policy. The Committee also will submit recommendations for legislation and regulations that will facilitate the development of energy projects.

Puerto Rico's commitment to energy reform through energy efficiency improvements and renewable energy investment was bolstered by DOE's down payment toward the Island's energy and environmental future through \$125.6 million in Recovery Act funds. There are a number of examples of projects around the Island that highlight existing efforts to reduce emissions and promote clean energy. For instance, the State Energy Program (SEP) used Recovery Act funds to support a program where cities throughout the Island replaced 4,800 traffic lights with LEDs. The new lights are expected to save about \$1.2 million annually in energy costs. In Gurabo, in eastern Puerto Rico, SEP funding is supporting the installation of photovoltaic panels on the city hall. The clean, renewable energy system in Gurabo will save an estimated \$5,400 annually and generate more than 20,000 kilowatt hours (kWh) each year. A lighting retrofit in the city will save almost \$35,000 yearly.

Similarly, the City of Bayamón, one of Puerto Rico's largest recipients of funds through the Energy Efficiency and Conservation Block Grant Program, has completed installation of a 587 kilowatt solar array at the Onofre Carballeira Sports Complex (pictured below), which will provide over 30 percent of the Complex's power needs over an expected 25-year lifespan. The project was partially funded with over \$2 million from a DOE block grant; this represents approximately 65 percent of the total cost, with the remainder supplied by the Municipality of Bayamón. The project is expected to save the municipality approximately \$250,000 a year and is located in a high visibility area where the municipality's basketball and soccer teams play across from a new "Tren Urbano" (Urban Train) station.



DOE's Weatherization Assistance Program (WAP) obligated over \$65 million to Puerto Rico under the Recovery Act. A priority of WAP in Puerto Rico is the installation of solar water heater systems in homes of income-eligible residents as part of its weatherization assistance services.

DOE's funding support of Puerto Rico's efforts has been reinforced by aggressive measures recently taken by the Puerto Rico government. In July 2010, the government passed two laws that expressed its commitment to promoting and facilitating the development of renewable energy sources in Puerto

Rico. Laws 82 and 83 of 2010 are designed to diversify the electric power generation mix and provide new incentive programs for enabling investments in renewable energy.<sup>35</sup> These measures and Executive Order 2009-23 solidify Puerto Rico's public commitment to: diversify sources of energy and infrastructure; reduce its dependence on fossil fuels; reduce and stabilize energy costs; create a green economy; and improve the environment and quality of life of its population.

Governor Fortuño estimated that Laws 82 and 83 will create more than 10,000 green jobs over the next 5 years and achieve an estimated investment of \$4 billion over the next decade.

Critical to the success of Laws 82 and 83 are the additional duties and powers established for the Puerto Rico Energy Affairs Administration (EAA) to implement this legislation. This additional authority will allow EAA to fulfill the objectives and programs included within the Laws and to design, promote, and enforce energy conservation and efficiency measures. EAA is currently drafting regulations that will implement the provisions of Laws 82 and 83.

As the Puerto Rico government implemented these new and aggressive energy reforms, Task Force members convened meetings with many local corporate and community leaders and community advocates to hear their views about the economic, energy, and environmental challenges facing the Island. Informed by the participants' concerns, the Task Force makes the following recommendation.

### Recommendation

#### ***Renewable Energy and Energy Efficiency Strategy for Puerto Rico***

Having heard the stakeholders' views and recognizing the energy needs of the Island, the Task Force strongly supports the efforts of the Puerto Rico government to promote and enforce energy conservation and efficiency in the end use sector, to diversify Puerto Rico's sources for electricity generation, to strengthen energy security, and to enhance economic development, while protecting and improving the quality of the environment.

“Finally, we are not environmentalists nor are we activists; we are active citizens that believe in our government and our duty to participate in its processes. We are here to help this Island government lead us better. Lead us into the Green Economy, not away from it. What is the status of Puerto Rico? In peril, to say the least. “Such is Life,” some might say. We don't think so. We say our environmental status is what we as citizens make it. We hope and expect that any actions or decisions that the Taskforce and the people of Puerto Rico make will achieve the sustainable development of this Island.”

—Civic Advocate, Letter to the Task Force

Puerto Rico is well positioned to become a model for implementing efficient and sustainable green energy projects. The Task Force therefore recommends that the President and Congress work closely with, and support, Puerto Rico's efforts to fundamentally change the Island's approach to energy and the environment.

To achieve this goal, the Task Force recommends that the President and Congress support Puerto Rico in the specific ways set forth below. The Task Force's recommendation is divided into two sections, the second of which has two phases, which are roughly equivalent to short- and long-term goals:

1. Assess Puerto Rico/U.S. Virgin Islands Electrical Interconnectivity
2. Help Puerto Rico Transform its Energy Economy
  - **Phase I:** Work with the government of Puerto Rico to develop improved regulatory and oversight conditions
  - **Phase II:** Assist Puerto Rico in developing a comprehensive plan for a new energy economy

### ***Assess Puerto Rico/U.S. Virgin Islands Electrical Interconnectivity***

Puerto Rico is not alone among Caribbean islands in relying heavily on imported petroleum products and consequently facing high energy prices. At the same time, the Caribbean is blessed with abundant wind, solar, and geothermal resources that can allow islands in the region to generate clean energy using indigenous sources. Efforts to utilize these resources on a large scale are hindered by the fact that the islands are small, isolated energy markets, with insufficient individual energy demand to support the cost of investing in medium or large scale renewable energy projects. In addition, the intermittent nature of wind and solar energy means that islands wishing to deploy renewable energy technologies must also back up this generation with traditional thermal generation that can be quickly dispatched.

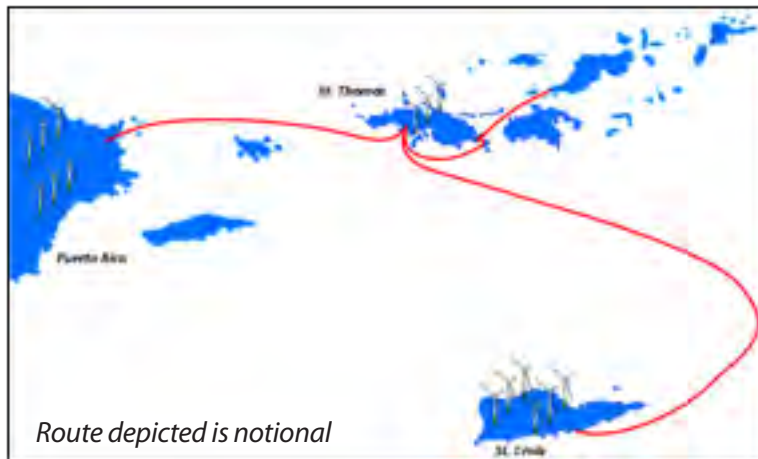
If it were found to be economically feasible, physically connecting the electricity systems of these islands through undersea electrical cables could help alleviate these concerns. Expanding the size of the electricity market that a utility can access could support the development of new renewable projects. In addition, physical interconnection means that an island could rely on the generating capacity of another island with which it is connected during periods of low resource availability. Lastly, interconnection could help improve grid stability and resilience in the event of a hurricane or other natural disaster.

Secretary of Energy Steven Chu and Secretary of State Hillary Clinton acknowledged the potential benefits of an eventual Caribbean-wide electricity grid in their remarks at the 2010 Energy and Climate Partnership of the Americas Ministerial. While a regional electricity grid that connects all Caribbean islands will remain a long-term goal for some time, the feasibility of pilot projects that could help develop a replicable model for inter-island electrical interconnection could be assessed. For example, a pilot interconnection between Puerto Rico and USVI could be cost beneficial for a number of reasons:

- With a gigawatt of excess generating capacity, Puerto Rico could serve as a hub for a regional energy grid.
- Both Puerto Rico and USVI could benefit. The Puerto Rico Electric Power Authority (PREPA) would have a productive use for its excess capacity, potentially leading to a reduction in costs

for the people of Puerto Rico. USVI could see a reduction in energy costs, an increase in system reliability, and the ability to develop new renewable projects without the need for additional backup generation.

- The interconnection could also include a data backbone cable that would allow Puerto Rico to sell data services while increasing broadband access in USVI.
- Interconnection between these islands would represent U.S. leadership in the Caribbean basin and support existing Federal efforts to address energy challenges in USVI under the Energy Development in Island Nations (EDIN) partnership.



The first step for considering such interconnection is a feasibility study. DOE, working through the USVI Water and Power Authority (WAPA), has begun examining the feasibility of a subsea electrical interconnection between PREPA, WAPA and the utility in the British Virgin Islands (BVI). DOE has signed a contract with Siemens PTI to conduct a feasibility study examining the technical and economic potential of such an interconnection.

The participants in assessing the electrical interconnectivity between Puerto Rico and USVI include DOE, WAPA, PREPA, Siemens, and the National Renewable Energy Laboratory (NREL), which is providing technical support.

The study will focus on options for a 50-mile interconnection between Puerto Rico and USVI, a 10-mile interconnection between USVI and BVI, and an 80-100 mile interconnection between the islands of St. Thomas and St. Croix of USVI. The objectives of the feasibility study include:

- Determine power capacities, types, and requirements of the three interconnections;
- Perform a power system study and identify necessary infrastructure reinforcements;
- Estimate project costs; and
- Demonstrate potential benefits in terms of generation cost and reliability compared with current systems or alternative distributed generation systems.

Furthermore, to advance discussions in the Caribbean region on the potential for subsea electrical interconnection under the Energy and Climate Partnership of the Americas, the Department of State,

through a grant to the Organization of American States (OAS), should fund a pre-feasibility study to examine an interconnection between Puerto Rico and St. Kitts and Nevis. This work results from a request from the government of St. Kitts and Nevis for the Department of State's assistance as it tries to develop Nevis' geothermal resources (estimated potential of up to 300 megawatts (MW)). St. Kitts and Nevis' power demand is approximately 40 MW, making Puerto Rico an important prospective market. Separate initiatives involving the World Bank, the government of France, and the European Union are underway to explore interconnection among other islands, including between the Dominican Republic and Puerto Rico, as well as among the French territories in the Eastern Caribbean region.

The Task Force looks forward to the results of these studies, and recommends that Puerto Rican officials and the relevant Federal agencies conduct any required environmental impact statements and environmental assessments.

Timeline	
Project kickoff for interconnection between Puerto Rico and USVI	October 2010
Interim report #1: HVAC/HVDC requirement and submarine cable study	January 2011
Interim report #2: Power system study	April 2011
Interim report #3: Cost-benefit analysis	July 2011
Final report	To be determined

Regarding the interconnection between Puerto Rico and St. Kitts and Nevis, OAS is currently negotiating the terms of agreement to work with NREL to execute this study. It is expected that the study would commence by the beginning of the second quarter of 2011 and would be completed in the first quarter of 2012.

***Help Puerto Rico Transform its Energy Economy***

**Phase I:** Work with the government of Puerto Rico to develop improved regulatory and oversight conditions

Utilities throughout the United States are governed at many levels. Typically, they are governed by their own boards (either private individuals for independently owned utilities, elected officials for municipal utilities, or elected boards for cooperative utilities owned by rate-payers), a State regulatory body, and the Federal Energy Regulatory Commission. These utilities interact by providing power to each other where needed, and are required to abide by both intrastate and Federal interstate regulations.

An established regulatory authority typically provides oversight and enforcement to improve the overall utility operation and to create a fair and equitable system. External regulatory authorities are generally required to define the relationship between utilities and self-generators who use or sell power, to encourage and develop generation of small quantities of power from diversified sources, and to encourage renewable power sources and energy efficiency.

In contrast to the utilities described above, Puerto Rico's sole utility, PREPA, is a public corporation, directed by a government board. Because PREPA does not interconnect with any other states or ter-

ritories, PREPA is not required to abide by Federal interstate regulations. There is no central, government-level regulatory body that oversees interactions between utilities.

Stakeholders have expressed significant frustration with the way the utility system is structured. There appears to be consensus among industry, academia, and other stakeholders that the current utility system could be substantially improved. In order for that to happen, however, Puerto Rico would have to commit to instituting oversight of the utility.

By establishing an independent, external regulatory authority, Puerto Rico could move toward a more diversified and energy efficient Puerto Rico. The Task Force therefore recommends that the Federal Government support efforts by Puerto Rico to change its energy regulatory structure. Such an overhaul would require collaboration among the Office of the Governor, EAA, Puerto Rico Industrial Development Company (PRIDCO), GDB, PREPA, and key members of the Puerto Rico Legislative Assembly.

At the outset, the Task Force recommends that DOE work with Puerto Rico’s Executive Branch Reorganization and Modernization Committee, which was created in 2009 to reform Puerto Rico’s executive branch.<sup>36</sup> This Committee was empowered to create new agencies, which could include a public utilities commission with regulatory and enforcement power.

In addition, the Task Force recommends that DOE offer its assistance to the newly created Renewable Energy Commission as it develops regulations to implement Laws 82 and 83. In conjunction with this effort, DOE should work with key stakeholders to assess the current regulatory situation, including identifying barriers to reform and making recommendations on legal and structural reforms needed to improve utility performance and to diversify Puerto Rico’s sources for electricity generation.

Timeline	
Review existing legislative and regulatory authorities governing utilities	March 2011
Provide model regulatory framework and analysis of regulatory options for consideration	April 2011

**Phase II:** Assist Puerto Rico in developing a comprehensive plan for a new energy economy

Puerto Rico has the potential to successfully employ new, clean, renewable energy sources, increase energy efficiency, reduce greenhouse gases, and create green, well-paying jobs. Puerto Rico’s economic situation and its geographic location make it well positioned to greatly advance the goal of developing a comprehensive, cost-effective energy policy for the Caribbean.

As noted above, Puerto Rico’s production of energy is heavily dependent on fossil fuels. In 2009, 82 percent of the energy that was generated in Puerto Rico came from oil, 9 percent from natural gas, 8 percent from coal, and 1 percent from hydro and other sources.<sup>37</sup> In other words, 99 percent of Puerto Rico’s energy comes from fossil fuels. Due to its dependence on oil, the Island’s economy is subject to price fluctuations in global energy markets. Spikes in the price of oil, like the one seen in the summer of 2008, have a substantial negative effect on the Puerto Rican economy.

The current cost of electricity in Puerto Rico is approximately 21 cents/kWh, which is over twice as much as the average cost of 9.81 cents/kWh in the continental United States.<sup>38</sup> Due to these high energy

costs, economic development has been negatively affected. For example, in the past few years, several manufacturers have left Puerto Rico due, in part, to high energy costs. This has resulted in a 15 percent drop in the industrial energy use in Puerto Rico and the loss of approximately 150,000 jobs.

In an effort to reduce its electricity costs, Puerto Rico has plans to replace the bulk of its oil generation with natural gas generation. The current price of natural gas is lower than oil, and the availability and price of natural gas are currently considered more stable than the oil market. In addition to the natural gas conversion, Puerto Rico has numerous renewable energy projects underway that, when complete, could provide up to 600 MW of added renewable generation to the grid. This would also contribute toward the requirement in Law 82 to produce 12 percent renewable generation by 2015.<sup>39</sup>

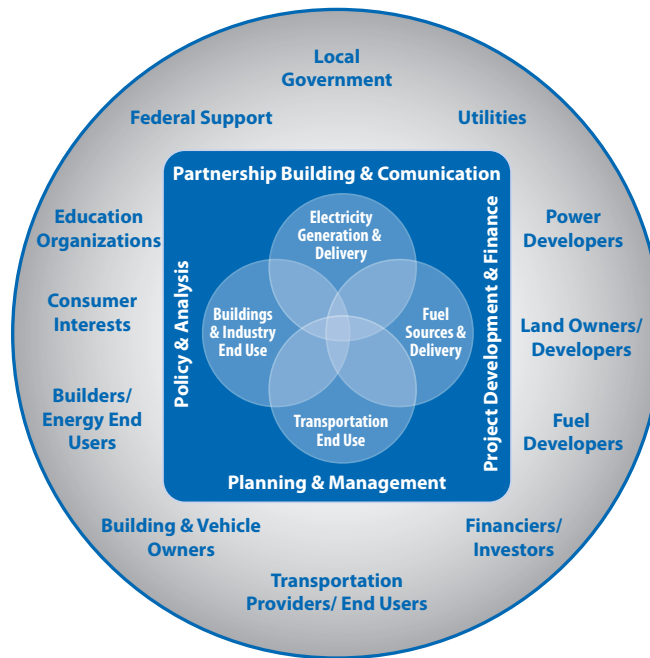
The Task Force recommends that DOE support development of a Puerto Rico-led plan to address these issues. The goals of the program should be to:

- Reduce Puerto Rico's dependence on fossil fuels;
- Create "green job" opportunities;
- Reduce greenhouse gas emissions and criteria air pollutants; and
- Attract private capital to Puerto Rico.

In conjunction with the other Island energy projects described below, a program that explores cost-effective, indigenous, low-carbon energy alternatives in Puerto Rico may serve as a microcosm for implementing larger, overarching initiatives in the Americas. Puerto Rico's serious engagement with the goal of reforming its energy generation and consumption would send a signal to the rest of Latin America that the United States is committed to the future of the region.

DOE has developed a comprehensive energy deployment approach that addresses the entire energy system for any given location. The Integrated Deployment model has been developed through use in multiple locations, including cities, states, Federal agencies, and island nations. The mission of Integrated Deployment is to accelerate market adoption of renewable energy solutions to power homes, businesses, and vehicles through a comprehensive and aggressive approach.

DOE has modeled a process that supports each technology area separately but also looks at the integration points between the technologies. DOE also identified the cross-cutting components necessary for successful deployment of technology solutions. Those components can be critical to connect the technology solutions to the market. The last component is the partners necessary to implement change. The following illustrates the integration of the technology and deployment components with the partners to create the Integrated Deployment model.



Use of the Integrated Deployment model in two other island settings—the Hawaii Clean Energy Initiative (HCEI) and the EDIN pilot project in USVI—serves to illustrate what can be done in Puerto Rico.

The goal of HCEI is to transform an economy based predominantly on oil to an economy based on clean energy—specifically, to reach 70 percent clean energy by 2030. To realize the clean energy goal, Hawaii is undertaking a number of high priority activities, including an effort to double the rate of clean energy technology penetration. DOE is providing technical assistance for this effort, and Hawaii has entered into a Memorandum of Understanding with DOE defining short- and long-term actions needed to accelerate the State’s clean energy transformation.

The EDIN initiative was formally established by the United States, New Zealand, and Iceland in 2008. DOE is supporting the USVI in its effort to reduce fossil fuel consumption by 60 percent by 2025.

The Task Force recommends that, consistent with completion of Phase I discussed above, Puerto Rico, with assistance from DOE, assess the feasibility of applying the Integrated Deployment model to the Island. Assuming Puerto Rican stakeholders make a commitment to the project, the first step should be to establish an agreement with Puerto Rico to move toward an aggressive, cost-effective goal for energy efficiency and renewable energy implementation.

At the outset, Puerto Rico would use assistance from DOE to provide analysis and technical expertise to inform decision makers and stakeholders to help identify practical and prudent energy goals and cost-effective options. Initial activities could include: performing detailed analyses of energy conditions; engaging key stakeholders; reviewing current energy policies; and providing detailed resource assessments and cost-benefit analyses. Puerto Rico would use these analyses to develop an energy plan and strategies for the Island that should be supported by the Federal Government.

Participants would include the Office of the Governor, EAA, PRIDCO, GDB, the Legislative Assembly, PREPA, manufacturing and business industries, universities, municipal leaders, and other key stakeholders, with technical assistance from DOE.

Timeline	
Sign agreement regarding commitment, roles, and responsibilities of key parties	October 2011
Apply Integrated Deployment approach	October 2011 – September 2016

**Integrated Bio-Refinery Project**

**Issue**

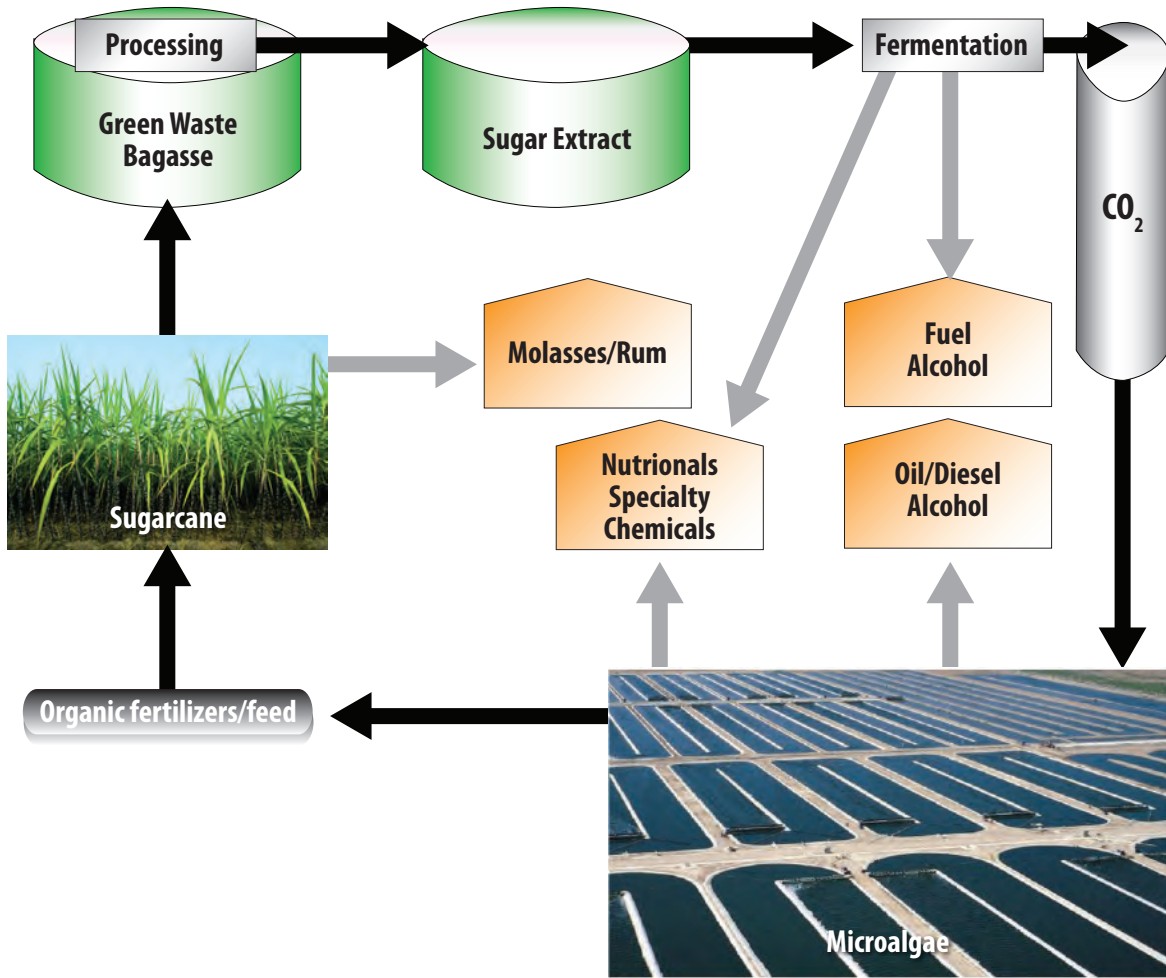
Puerto Rico’s opportunity to be a clean energy leader in the Caribbean may only be partly addressed by improving Puerto Rico’s interconnectivities with other islands, and enhancing current clean energy production as outlined above. To bolster Puerto Rico’s clean energy leadership potential, DOC Minority Business Development Agency (MBDA) is helping to develop a public-private partnership, called the Integrated Bio-Refinery Project (IBP) of Puerto Rico. IBP involves the work of Sustainable AgroBiotech, LLC (SABI), an industry, academia, and government partnership that includes: Sustainable Cellulosics, Inc., a Minority Business Enterprise leading the effort; the University of Puerto Rico Mayagüez; Easy Energy Systems of Minnesota; and local agricultural farmers.

**Recommendation**

IBP will produce high value bioproducts, especially biofuels, using locally available biomass such as post-harvest agricultural “leftovers.” Locally produced biofuel will reduce the Island’s dependence on imported fossil fuel in the near term while non-fuel products (such as human nutritionals, specialty chemicals, and organic feeds and fertilizer) hold significant worldwide export potential. Combining technology and natural resource assets that are unique to Puerto Rico with technologies from its own laboratories, SABI will build integrated biorefineries, or “*Biomes*,” at strategic locations in Puerto Rico where sufficient cellulosic waste biomass, primarily sugarcane bagasse, can be locally generated to produce at least 3-4 million gallons of fuel alcohol per year. *Biomes* will recycle the carbon dioxide (CO<sub>2</sub>) emission from fuel alcohol fermentation to produce microalgae biomass that will be used as the source for biodiesel, additional fuel alcohol, and high value organic products. Each operating *Biome* is expected to create hundreds of direct and supporting jobs.

The project has the potential to create value from underutilized agricultural lands, supply high quality molasses for rum manufacturers, and generate bagasse, a highly desirable cellulosic feedstock for renewable energy. A second long-term goal is to expand large scale recycling of CO<sub>2</sub> emission from other businesses into microalgae biomass as sources for biofuels and high value bioproducts. SABI aims to create an innovation economy for Puerto Rico and address the local, national, and global needs for renewable energy.

The graphic below represents for the process flow map.



The Task Force recommends that MBDA continue to assist Puerto Rico in creating an innovation economy that addresses the local, national and global needs for clean, renewable energy while also creating jobs. DOC has already facilitated the creation of the public-private partnership that will become the catalyst for change in the Puerto Rican economy. In addition, using the private sector and other government agencies, MBDA would help find ways of financing the project.

**Timeline**

The partnership is currently doing a feasibility study as a preliminary step to moving forward. Once the feasibility study is completed, the partnership should begin to finalize the financial plan. At the same time, MBDA should make initial calls to potential private sector investors. The feasibility study should be completed in the first quarter of 2011, and financing should be obtained by the second quarter. The first phase of the project should begin before the end of the 2011 calendar year.

**Renewable Energy Tax Credits****Issue**

Two ARRA programs provide grants and tax credits for renewable energy. The section 1603 program provides grants to specified energy properties that are placed into service by a particular date, with the goals of creating and retaining jobs, as well as expanding the use of clean and renewable energy. The section 48C program provides tax credits for qualified investments in advanced energy projects to support the building and equipping of new, expanded, or retooled factories that manufacture the products needed to power the green economy. The combination of the section 1603 renewable generation payments and the section 48C manufacturing tax credits has put the United States on the path to greatly expanding both the high technology clean energy manufacturing base and renewable electricity production. Approximately 4,500 projects receiving the 1603 grants are bringing more than 9.1 gigawatts of new, renewable energy online. The jobs created by these projects are largely in engineering, construction, transportation, operations, and maintenance.

These programs have been specifically targeted at companies investing in renewable energy in the United States, with the goal of creating good jobs for American workers. The \$2.3 billion in tax credits available under section 48C have been fully allocated. While the section 1603 grants were just extended through 2011, this extension does not include specific language regarding the treatment of energy companies in Puerto Rico and their U.S. subsidiaries.

**Recommendation**

The Task Force supports the extension of the 1603 and 48C programs to further advance the goal of facilitating the development of clean and renewable energy. The Task Force recommends treating energy entities in Puerto Rico and their U.S. subsidiaries as U.S. companies to allow their participation in these programs.

**Timeline**

The Task Force hopes that Congress would move these changes in its upcoming session.

***2. Promoting Puerto Rico as an Economic and Tourism Hub and Gateway to the Caribbean and Latin America***

Puerto Rico is well positioned to enhance its role as an economic hub and gateway to the Caribbean and Latin America by virtue of its location and culture. Puerto Rico is also a tourist destination with beautiful beaches and resorts. It boasts significant infrastructure, like the Luis Muñoz Marín International Airport and the Port of the Americas, which can be strengthened to support an increased role for Puerto Rico in the region. The focus of the Task Force's recommendations is to take steps that can begin to unlock Puerto Rico's potential as an economic and tourism hub.

***Assessing Potential Enhanced Access for Luis Muñoz Marín International Airport*****Issue**

Prior to September 11, 2001, 16 international airline carriers from Asia, Europe and Latin America brought passengers to and through San Juan's Luis Muñoz Marín International Airport (LMM) as an in-transit

lounge point as they headed to different destinations in the Caribbean and Latin America, primarily because smaller airports in the region could not handle the wide-bodied intercontinental jet liners. DHS suspended the Transit Without Visa (TWOV) and the International-to-International (ITI) programs nationwide in August 2003 due to credible threat information. Both the TWOV and the ITI programs allowed travelers, who would otherwise require a visa, to transit through U.S. airports without the need for visas, but with specific air carrier and airport security measures in place.

Once the programs were suspended, the number of airlines with scheduled routes to, from, and transiting through Puerto Rico decreased. Puerto Rico's LMM has experienced a reported 50 percent reduction of those flights, and over \$30 million in losses per year in direct spending by passengers on airfare, hotels, and attractions. In addition, LMM was the site of maintenance and repairs for many of these airlines, and the loss of air traffic has resulted in net losses of airline landing fees, airplane parts sales, refueling and mechanical services, and jobs. The impact of these cancelled flights, many of which now travel to the Dominican Republic, has primarily affected LMM but effects have also been felt by the three other international airports in Puerto Rico.

While the Administration recognizes the commercial effects of terminating the program has been significant for Puerto Rico, security is the primary focus and paramount concern.

### **Recommendation**

The Task Force recommends that CBP conduct a resource impact analysis assessing facilities, personnel, and information technology resources that would be required to establish secure in-transit programs for U.S. airports. This analysis, along with other factors, would inform DHS's decision on the future of in-transit programs.

### **Timeline**

CBP, TSA, and other appropriate components should conduct the resource impact analysis by December 2011.

Based on the outcome of the analysis and other relevant factors, DHS should evaluate the future of in-transit programs.

### ***Travel and Tourism***

#### **Issue**

Tourism is a significant contributor to economic activity in Puerto Rico. Tourism supplies approximately \$1.8 billion to Puerto Rico's economy and employs over 60,000 people. The Puerto Rico Tourism Company has estimated that approximately one million tourists visit the Island annually. Puerto Rico represents a 20 percent market share of inbound seats from the United States to the Caribbean and accounts for a 19 percent market share of all Caribbean arrivals, with more than 5 million passengers per year. Puerto Rico is also home to the main cruise homeport in the Caribbean, which serves nearly 1.5 million cruise passengers per year.

Puerto Rico has many natural advantages, including beautiful beaches and natural resources. Puerto Rico is home to El Yunque National Forest and three bioluminescent bays. El Yunque is the only tropical

rain forest in the U.S. National Forest system, and it has been nominated as one of the next New Seven Wonders of the World. As discussed in more detail below, Mosquito Bay in Vieques is a unique natural setting that attracts visitors from all around the world. In fact, Puerto Rico has three of the world's seven bioluminescent bays. The other two are located in Fajardo and La Parguera Bay.

Puerto Rico has already invested significantly in its tourism industry. Among other things, it has invested in the largest and most technologically advanced Convention Center in the Caribbean. In its first five years of operation, the Center has hosted over 1.8 million meeting and convention visitors.

In addition, EPA is working with the Puerto Rico Tourism Company and other local agencies to develop a comprehensive plan for green tourism in Puerto Rico. In 2011, EPA will sign a Memorandum of Understanding with the Puerto Rico Tourism Company. As part of the agreement, EPA will encourage third-party green certification for Puerto Rican hotels and restaurants. EPA will work with the selected hotels and restaurants on meeting certification requirements.

The Task Force believes that the strength of the tourism sector in Puerto Rico is a unique asset, and that several existing tools as well as new policies in the area of tourism promotion can be leveraged to stimulate growth in this sector to strengthen economic development on the Island. Further, the Task Force believes that the Federal Government could provide more support to the tourism industry in Puerto Rico and help promote it more effectively, to the benefit of the people of the Island.

### Recommendation

The Task Force makes several recommendations to strengthen Puerto Rico's travel and tourism industry. The goal of DOC International Trade Administration's (ITA) Office of Travel and Tourism Industries (OTTI) is to enhance international competitiveness of the U.S. travel and tourism industry and increase U.S. exports of travel and tourism services, thereby creating U.S. employment and promoting economic growth. Among other activities, OTTI provides technical assistance to help localities expand their ability to provide international tourism services. OTTI also administers a suite of research programs to gather statistical data about air passenger travelers in the U.S.-overseas and U.S.-Mexico markets.

The Task Force recommends that OTTI work intensively with the Puerto Rico Tourism Company and the Puerto Rico Ports Authority to use the Survey of International Air Travelers research program to deliver a custom report. That report could assist in developing international marketing efforts and potential air service routes for the airport.

The Task Force also recommends that Puerto Rico be more robustly featured on DiscoverAmerica.com. This multilingual consumer website was developed through a cooperative agreement between DOC and the U.S. Travel Association, and now serves as the United States' official travel and tourism website.

The Travel Promotion Act of 2009 (TPA) was signed into law by President Obama on March 4, 2010. The TPA established the Corporation for Travel Promotion (CTP), a private, nonprofit entity to promote and enhance tourism to the United States and to communicate U.S. entry policies. CTP is responsible for developing and executing a plan to: (1) provide useful information to those interested in traveling to the United States; (2) identify and address misperceptions regarding U.S. entry policies; (3) maximize the economic and diplomatic benefits of travel to the United States through the use of various promotional tools; and (4) ensure that international travel benefits all of the United States. The Task Force recommends

that OTTI work closely with the Puerto Rico Tourism Company and the new CTP to develop and execute specific goals for CTP to advance tourism to Puerto Rico.

In addition, the Task Force recommends that the Executive Director of the Puerto Rico Tourism Company apply to serve on the Travel and Tourism Advisory Board, an advisory body to DOC. Serving on this board would facilitate the ability of Puerto Rico to provide recommendations to the Secretary of Commerce on how to expand the industry's exports, which would contribute to the National Export Initiative. Furthermore, the Executive Director should consider applying for one of the two seats on the Board of Directors of CTP that are reserved for individuals with experience as officials of a state tourism office. A seat on the CTP board would enable Puerto Rico to participate in international tourism promotion and marketing efforts that will be developed under the CTP's aegis.

DOC recently announced that the Market Development Cooperator Program (MDCP), under which DOC partners with nonprofit industry organizations to develop, maintain, and expand foreign markets for nonagricultural goods and services produced in the United States, may have funding for FY 2011. The Task Force encourages the Puerto Rico Tourism Company to apply to DOC for MDCP funding should any funding opportunities be announced.

### **Timeline**

The report developed by OTTI, the Puerto Rico Tourism Company, and the Puerto Rico Ports Authority will be issued in May 2011.

The Travel and Tourism Advisory Board will be accepting applications in the late spring/early summer of 2011. There will be a notice in the Federal Register to announce the opening of the application process.

Application for the CTP's Board of Directors will stagger as the appointments come up for renewal. One state tourism office seat was appointed for a 1-year term, the second for a 2-year term; both terms began on September 10, 2010. A Federal Register Notice will be published to announce the application process.

### ***National Export Initiative***

#### **Issue**

Exporting presents real opportunities for business growth in Puerto Rico. Most Puerto Rican goods are sold in the United States. Today, however, 95 percent of the world's consumers live outside the United States. Despite the range of opportunities, 58 percent of Puerto Rican businesses ship their goods domestically.

In 2008, a total of 1,528 companies exported goods from Puerto Rico. Of those, 87 percent were small and medium-sized enterprises (SMEs) with fewer than 500 employees. SMEs generated 28 percent of Puerto Rico's total merchandise exports in 2008. Puerto Rico's export shipments of merchandise in 2009 totaled \$20.9 billion. The Island's largest export market was Germany, which received exported goods totaling \$4.8 billion (23 percent of Puerto Rico's total exports), followed by the Netherlands (\$2.8 billion), Belgium (\$2.6 billion), Spain (\$1.7 billion), and Canada (\$1 billion).

Puerto Rico's leading manufactured export category was chemical manufactures, which accounted for \$17.1 billion (82 percent) of Puerto Rico's total export shipments in 2009. Other top manufactured

exports were miscellaneous manufactures (\$1.1 billion); computer and electronic products (\$1.1 billion); and electrical equipment, appliances, and components (\$335 million).<sup>40</sup> For most SMEs in Puerto Rico, the primary export markets are other islands in the Caribbean.

To support long-term economic growth, President Obama launched the National Export Initiative in his 2010 State of the Union address and set the ambitious goal of doubling U.S. exports over the next 5 years to support several million jobs in the United States. By supporting Puerto Rican exports, the Federal Government can facilitate growth and job creation on the Island while helping meet the President's export goals.

ITA has personnel in 108 cities across the United States (including San Juan) and in 77 countries around the world to connect U.S. businesses with potential foreign buyers and distributors. The U.S. Export Assistance Center (USEAC) in San Juan offers services to Puerto Rico that include export counseling, market research, connection with trade leads and Foreign Commercial Service offices around the world, and identification/screening of potential foreign representatives for Puerto Rican exporters. The USEAC also supports its partner organizations in outreach for seminars, workshops, and trade missions.

### Recommendation

The Task Force recommends that the USEAC in San Juan help improve the Puerto Rico export initiative, in consultation with the Puerto Rico Secretary of Economic Development and Commerce. This model has been particularly effective in several states in identifying local products and areas of focus in establishing goals for export expansion.

### Timeline

DOC should continue to work with Puerto Rico on improving its export initiative over the next 6 months. At that time, DOC should assess its progress and make any necessary adjustments to help Puerto Rico increase its exports.

### ***Puerto de Las Américas (Port of the Americas)***

#### Issue

The potential to expand Puerto Rico's capacity as a commerce hub in the Caribbean and Latin America is affected by the dynamics of the Panama Canal. Currently, the size of the locks in the canal and the height of the Bridge of the Americas have limited the size of the vessels that can traverse the canal. These limits are popularly referred to as Panamax; ships that exceed these limits are referred to as Post-Panamax. In 2009, the Panama Canal Authority published new limitations, or New Panamax, which will apply after the scheduled completion of an additional, substantially larger set of locks in 2014. This additional set of locks is likely to increase the number of large ships entering the Caribbean and thus create an opportunity for increased commerce in Puerto Rico.

Puerto de Las Américas (Port of the Americas or POA) is a strategic project with the potential to generate investments and to foster economic development in the entire Caribbean region. The proposed port expansion seeks to create an international transshipment port of global proportions, which can handle Post-Panamax traffic. The POA project is a priority for Puerto Rico's economic development as a whole and particularly for its southern region. It is estimated that the new port's operations will create 8,025

direct jobs, with 12,038 additional direct and indirect jobs expected to be created during the project's future phases.<sup>41</sup>

As proposed, POA will have capacity for larger container ships, possibly containing agricultural goods. Therefore, the new port would require an inspectional workforce for agriculture clearance. Also, as Puerto Rico charges user fees for foreign arrivals (vessels) and maritime cargo clearance, it may receive additional funds with the increase in POA traffic. Furthermore, the expansion of the Panama Canal may substantially increase ocean borne, commercial, containerized cargo activity in Puerto Rico.

### Recommendation

Officials from DOC have met with the Puerto Rico Governor's Office, the Secretary of Economic Development and Commerce, officials from the Port Authority, and the Mayor of Ponce to discuss the potential of this opportunity to generate jobs. Furthermore, POA's Executive Director and DHS representatives have discussed developing the infrastructure required to comply with the Maritime Transportation Security Act of 2002 (MTSA) and other applicable security legislation (for example, the Security and Accountability For Every Port Act of 2006) to ensure a secure environment for port operations. CBP's Office of Field Operations has met with POA representatives to explain agency requirements for receiving a substantial amount of cargo. TSA shares an important role with the U.S. Coast Guard in developing, sustaining, and enforcing the Transportation Workers Identification Credential for all MTSA-regulated vessels and ports, including POA. The anticipated increased cargo capacity at POA would require continuous monitoring and communication to ensure the maintenance of safety and security.

The Task Force recommends that DOC and DHS build on these efforts by working with Puerto Rican officials to fully utilize POA's strategic location for moving U.S. cargo through the Panama Canal to the Caribbean and Atlantic and Pacific Oceans. These efforts should, among other things, help meet President Obama's goals in the National Export Initiative and ensure, as with every port in the United States, that the safety and security of POA continue to be monitored.

### Timeline

The Puerto Rico government and local municipal governments are collaborating to fund an \$84.4 million expansion of POA that would give it annual container capacity of up to 500,000 twenty-foot equivalent units (TEUs)<sup>42</sup> and the basic infrastructure necessary to develop an adjacent value-added zone. That project will continue through mid-2011. The vision for future development phases includes a Post-Panamax container terminal facility with multiple berths and annual throughput capacity of up to 2.2 million TEUs.

## 3. *Creating the Caribbean's Health Science and Research Center in Puerto Rico*

### Issue

Puerto Rico has many of the infrastructure elements necessary to develop a regional health cluster as an engine for economic development. A Puerto Rico Health Cluster could capitalize on the Island's existing pharmaceutical manufacturing and technology development experience, by partnering with its strong training and research and development centers as well as complementary airlift/travel capacity, lodging,

and service sectors. It could use its trading advantages under the National Export Initiative to develop and export health technologies to the rest of the Caribbean and Latin America.

Earlier in this Report, the Task Force described the challenges related to delivering health care services to the people of Puerto Rico. The Task Force developed recommendations to address these specific challenges. This Report also has discussed the need for more economic development in Puerto Rico. Again, the Task Force has laid out specific recommendations to help improve the economic development issues facing the Island. The Task Force's recommendation to create a health science and research center helps meet both the health and economic challenges confronting Puerto Rico.

“Puerto Rico’s tough economic challenges require concrete and creative policy responses.”

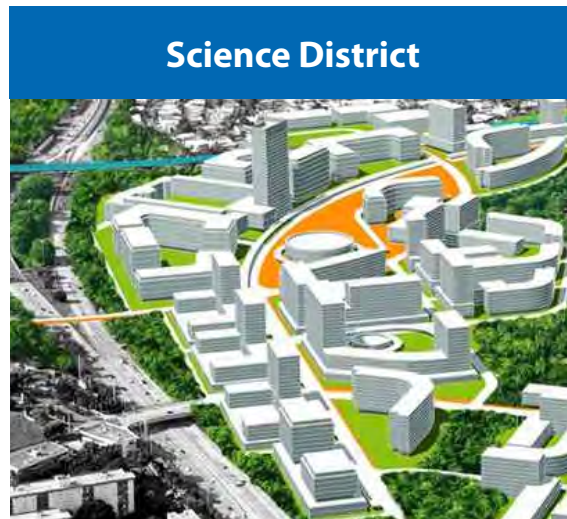
—16 Members of the United States House of Representatives,  
Letter to the Task Force

A Puerto Rico Health Cluster could promote:

- **Medical Technology Development:** A health cluster could capitalize and further stimulate the Island’s well developed pharmaceutical and high-technology manufacturing industries to develop medical technologies and conduct medical research.
- **Training of Medical and Research Professionals:** Currently, Puerto Rico has one of the most advanced medical facilities in the Caribbean and Latin America. A health cluster that attracts highly specialized medical professionals, trauma specialists, and emergency care technicians could provide health services as an export product to supplement U.S. efforts to provide the medical needs of victims of both natural and human-caused disasters, such as those in neighboring Haiti (2010), Guatemala (2010), Bolivia (2008), Peru (2007), and the Dominican Republic (2006).

Furthermore, medical education facilities could help train bilingual health professionals for the local and U.S. health markets. Under the Carl D. Perkins Career and Technical Education Improvement Act of 2006 (P.L. 109-270), States (defined to include Puerto Rico) are required to offer career and technical programs of study that comprise academic, career, and technical content to prepare students to make successful transitions to postsecondary education and the workplace. States may develop and implement career and technical programs of study in one or more of 16 career clusters. The clusters are occupational categories with industry validated knowledge and skills statements that define what students need to know and be able to do in order to realize success in a chosen field. Incorporating the health science cluster could assist in preparing students for employment in the high-skill, high-wage, and high-demand occupations in the health field.

- Medical Technology as an Export Good: Strengthening Puerto Rico’s pharmaceutical and high-technology manufacturing sectors can promote additional exports.
- Development of a National Center for the Treatment and Care of Chronic Illnesses: Building on the Governor’s Science City plan, Puerto Rico could become a national center for the treatment and care of cancer, diabetes, HIV/AIDS, and other chronic diseases. Ideally, the Puerto Rico Research Center would be similar in scope to specialized regional health centers such as MD Anderson Cancer Center in Texas and Memorial Sloan-Kettering Cancer Center in New York.
- Development of the Science District: The Puerto Rico government currently plans to convert existing facilities that are adjacent to the University of Puerto Rico’s Medical School, a region that contains over 1 million square feet of laboratory space, into a Science District focused on medical services and technologies. To fund this conversion, the Puerto Rico government has created a Science and Technology Trust and is investing \$353 million in the project with an additional \$1.4 billion in private investments. It is expected to create 28,328 direct and indirect jobs.<sup>43</sup>

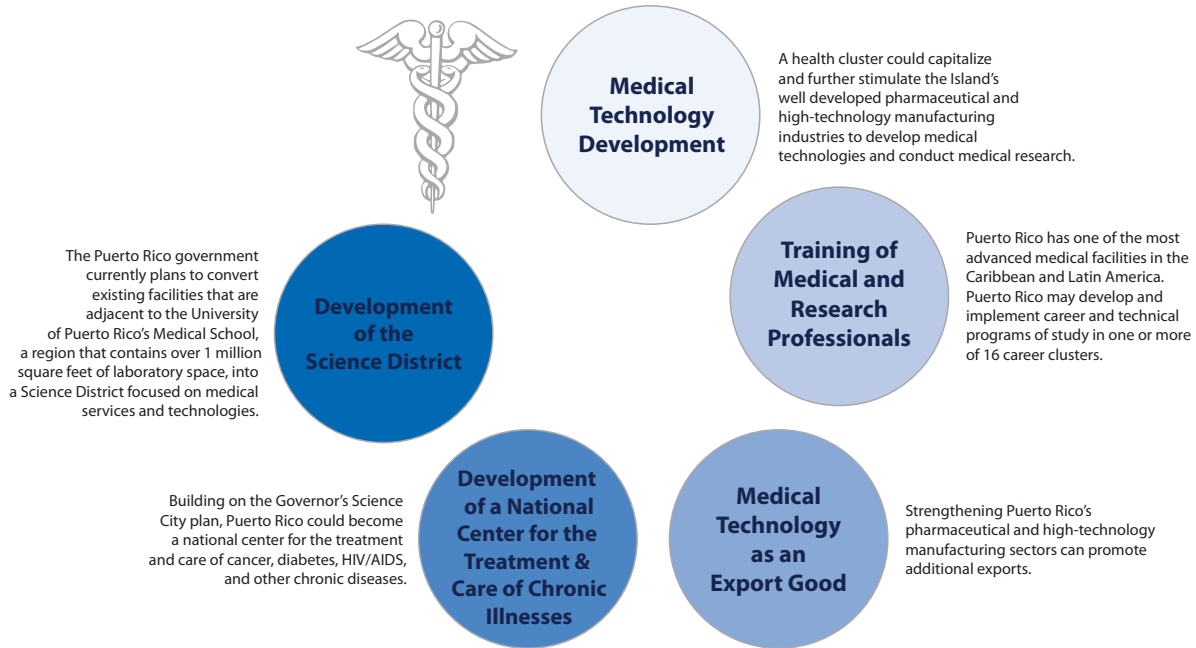


### Recommendation

To continue the process already started by Puerto Rico, the Task Force recommends that:

- EDA, the U.S. Office of Management and Budget, and HHS conduct a cluster analysis to determine the feasibility of establishing a Puerto Rico Health Cluster as part of the Federal Government’s sector development plans.
- CDC consider expanding its work with SBA, EDA, and private sector developers to provide financing for medical services and technology in Puerto Rico.
- DOL consider directing workforce development funding to expand training of bilingual health professionals.

Conceptually, the Puerto Rico Health Cluster could be structured as follows:



#### 4. Updating Puerto Rico's Gross Domestic Product Methodology to U.S. Standards

##### Issue

As Puerto Rico builds these new competitive industries, it is important to measure economic activity accurately. DOC Bureau of Economic Analysis (BEA) calculates and reports the gross domestic product (GDP) of the United States, the 50 States, the District of Columbia, and four U.S. territories. However, the calculation of Puerto Rico's GDP does not currently follow the standards used for GDP for the rest of the United States. For example, the methodology Puerto Rico uses to calculate GDP is not in sync with modern statistical techniques, resulting in a less precise measure of the Island's economic activity. This difference goes beyond mere statistics. The current methodology has made it difficult to engage in short- and long-term economic planning that is critical for the Puerto Rican economy. This is one example where changing the way statistics are maintained and calculated can have a significant effect on the economy itself over the long term.

In addition, the absence of this critical information prevents the Federal Government and the Puerto Rico government from knowing the value of the Island's economic output, how that output evolves over time, and how that evolution affects the living standards of the residents of the Island. Once Puerto Rico's statistical program has been modernized, the government of Puerto Rico can more effectively use it as a tool for planning. Accurate analysis of Puerto Rico's GDP would also help Puerto Rico assess spending relative to growth and better manage its deficit.

“As a former economist at the Board of Governors of the Federal Reserve System in Washington DC, I am keenly aware of the challenges faced by policymakers who depend on Puerto Rico statistics. Access to Puerto Rico statistics is hindered by several layers of bureaucracy, and even after obtaining access the data may be plagued with serious methodological limitations.”

—Community Leader, E-mail Submission to the Task Force

### Recommendation

The Task Force recommends that DOC assist Puerto Rico in updating its GDP methodology by conducting a comprehensive assessment and providing technical recommendations to the Puerto Rico government on statistical modernization, using existing resources. DOC has begun discussions with the Office of the Governor and the Puerto Rico Secretary of the Department of Economic Development and Commerce to determine how best to support Puerto Rico in developing and producing annual GDP statistics for the Island using BEA standards.

On August 31, 2010, Department of Economic Development and Commerce Secretary Pérez-Riera sent a letter to DOC Secretary Gary Locke inviting BEA to conduct this assessment. On September 21, 2010, Secretary Locke accepted Secretary Pérez-Riera’s invitation and instructed Dr. Steven Landefeld, BEA Director, to proceed with dispatching a team of experts to Puerto Rico to begin an assessment of the Island’s economic statistics.

### Timeline

As of February 2011, BEA has assigned a team of senior analysts to the Puerto Rico project, and held telephone discussions with Puerto Rican statistical officials. During the week of February 28—March 4, BEA sent its project team to Puerto Rico to meet with local officials, review methodologies and procedures, and conduct a comprehensive review of Puerto Rico’s existing GDP data methodology. After completing the assessment, BEA should conduct a joint review by DOC and Puerto Rican officials. If funding is available, BEA should continue providing technical assistance to train Island economists and statisticians in the most current methodologies and procedures for calculating and reporting GDP data and on implementing other recommendations included in the assessment so that local officials can produce their own modern GDP data.





## Vieques Recommendations



### Issue

The island of Vieques lies seven miles southeast of the Puerto Rico mainland, bordered by the Caribbean Sea and the Atlantic Ocean. Until World War II, Vieques was home to sugar plantations. During World War II, the U.S. Navy acquired much of Vieques for use as a live ordnance range. Over the next 50 years, Vieques was used by U.S. and NATO forces for military training operations and emerged as the largest training and munitions testing area in the Atlantic basin.

In 2001, Navy land previously used for munitions storage on the western side of Vieques was transferred to the Municipality of Vieques (4,249 acres), DOI (3,100 acres) and the Puerto Rico Conservation Trust (800 acres). The Navy retained 100 acres for its radar facility. In 2003, President Bush signed legislation that allowed the Navy to stop training on Vieques, and permitted the transfer of the former training area, which consisted of approximately 14,572 acres on the eastern side of Vieques to the U.S. Fish and Wildlife Service.

In 2005, Navy land on both the eastern and western sides of Vieques was added to the Federal Superfund list of the most contaminated hazardous waste sites. The Navy is responsible for remediation, and EPA is overseeing the cleanup work. Large quantities of bombs, projectiles, rockets, pyrotechnics, submunitions, and igniters remain on the site. As of February 2010, the Navy had collected and either destroyed or explosively vented 32,095 of the remaining items. The Navy plans to spend \$351 million on site remediation, with a goal of completing the process by 2021.

There have been ongoing disputes about the cleanup. The Navy's continued method of blowing up unexploded ordnance in place without the use of a containment chamber and its proposal for a controlled burn to remove vegetation have been opposed by local residents. There has been little progress in removing thousands of unexploded ordnance from the waters around Vieques, including shallow waters near beaches. Despite warnings from the Navy and the U.S. Coast Guard, boaters regularly trespass into areas in which unexploded ordnance is present. Since 2005, the Navy has documented over 1,700 trespassing incidents into waters around the former bombing range. Boat trespassers have been seen within a half mile of a dangerous submunitions area, and children have been observed digging on contaminated beaches.

Most of the nearly 10,000 residents of Vieques live in two communities located between the former "live impact area" on the eastern end and the weapons storage bunkers on the west. Many have raised concerns about a range of health problems related to the bombing exercises, and a report by the Puerto Rico Cancer Registry, then a part of PRDOH, found an elevated incidence of cancer among Island residents compared with the cancer rates for mainland Puerto Rico.<sup>44</sup> The HHS Agency for Toxic Substances and Disease Registry (ATSDR) has conducted four public health assessments since 1999, and could not show a risk of harmful effects related to environmental exposures. ATSDR is currently reviewing a wide range of scientific data and information related to the health of Vieques residents, and is expected to release an updated Vieques report for public comment in 2011.

Many Viequenses live in abject poverty, with 73 percent of the residents living below the Federal poverty level. The median household income is \$5,900, and Vieques has an unemployment rate of 22 percent. Electricity rates are the highest in Puerto Rico. Health care is also a significant challenge for residents. There is no state-of-the-art, full-service hospital on Vieques, and people have to travel off-island to obtain medical care such as chemotherapy, dialysis, and for complicated childbirth. Emergency situations can prove especially perilous because residents of Vieques rely on ferry service to transport them to and from the main Island. The ferry stops running at 6:00 p.m. and often does not run on time.

Due to the limited capacity of its two landfills, Vieques has a solid waste dilemma. The old Vieques landfill is an unlined, municipally-owned landfill located on the environmentally sensitive north coast. According to a report from the U.S. Fish and Wildlife Service, the old Vieques landfill is suffering from considerable erosion and waste wash out. The current Vieques landfill is a municipally-owned landfill that accepts 123 tons of waste per week. The active portion of the landfill is not equipped with a liner, leachate collection system, gas monitoring system, or stormwater collection system as required under the Resource Conservation and Recovery Act. This landfill is predicted to reach capacity in 2020.

In recent years, Vieques has sought to become a center for eco-tourism. Vieques also has significant natural advantages. It is home to beautiful beaches and one of the most important bioluminescent bays in the world. A complex and diverse ecosystem presents unique conditions for extremely high concentrations of microscopic plankton that light up in a brilliant display when touched. The biobay is a driving force in the tourism industry that fuels Vieques' economy. Over 80 percent of travelers who visit Vieques consider the bioluminescent bay the determining factor in making their visit. Hence, the sustainability of Vieques' economy is directly linked to the conservation of the bioluminescent bay.

Culebra, a neighboring sister island of Vieques, is located 17 miles east of Puerto Rico's main island and is approximately 9 miles from the island of Vieques. Like Vieques, Culebra's public lands were placed

under the control of the Navy and portions were used for training activities from 1903 until 1941, and as a bombing and gunnery range from 1935 until 1975. And like Vieques, unexploded ordnance and remnants of exploded ordnance are present throughout the former range, in cays and on smaller islands surrounding Culebra, and in the nearby waters. In the early 1980s, the Navy transferred certain parcels on Culebra to the Secretary of the Interior; that land was ultimately deeded to Puerto Rico.

In 2003, Vieques and Culebra were designated as Puerto Rico's single highest priority site for purposes of listing on the National Priorities List (NPL) pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980. The facility was initially designated as the Vieques/Culebra Superfund Site, but the name was subsequently changed to the Atlantic Fleet Weapons Training Area (AFWTA). EPA completed the process to finalize the AFWTA-Vieques portion on the NPL in 2005; however, the AFWTA-Culebra portion has not been finalized.

Like Vieques, Culebra will require a comprehensive cleanup in order to restore the potential for sustainable economic growth and to protect human health and the environment. In the past, funding for Culebra has ranged from approximately \$1.5 to \$2.0 million per year. In FY 2010, however, the U.S. Army Corps of Engineers (USACE) funded the site at \$3.7 million. This allowed the USACE to fully fund the current period of performance for the contractors performing remedial investigation work.

Throughout this section, the Task Force refers to the general cleanup of both Vieques and Culebra but will focus primarily on Vieques.

### **Recommendation**

There is much that the Federal Government can do to improve the quality of life for the people of Vieques. The Task Force's recommendations encompass issues ranging from health care to environmental issues to tourism.

#### ***Superfund Cleanup and Job Training***

The cleanup of the former military areas on Vieques is ongoing and expected to last another decade; these steps are important to the future of Vieques.

The Task Force recommends that the Navy accelerate the pace of the cleanup of unexploded ordnance and address the issue of underwater unexploded ordnance. The Task Force further recommends that the trespassing issues, which are more difficult to resolve because of jurisdictional limitations, be addressed through a coordinated effort among the Navy, U.S. Coast Guard, EPA, DOC National Oceanic and Atmospheric Administration (NOAA), DOI, and the government of Puerto Rico to develop a multi-agency plan to keep trespassers off the contaminated land and out of the affected waters. Contractors for the Navy have already hired many local residents to remove unexploded ordnance and do vegetation clearing. Currently, 75 Vieques residents work at the site. These workers have received training, and it is imperative that they receive continued training as appropriate and that occupational health and safety protections are in place and enforced. The Navy should encourage contractors to hire and train more local residents.

### **Timeline**

The work is ongoing.

### ***Vieques Sustainability Task Force***

EPA has recently established the Vieques Sustainability Task Force to coordinate Federal and local efforts for comprehensive cleanup and remediation at the closed military range in Vieques. In addition, this task force will develop and implement policies that boost sustainable economic growth and job creation on Vieques. The task force is composed of senior officials from EPA, Navy, DOI, DOE, SBA, HHS, the Resident Commissioner, the Governor of Puerto Rico, the mayor of Vieques, as well as other stakeholders and local residents of Vieques. EPA is financially supporting this effort, and is providing an independent facilitator to assist in its work.

Consistent with the goal set forth above, the Task Force recommends that the relevant Federal agencies continue to develop and empower the Vieques Sustainability Task Force to expedite resolution of some of the longstanding issues in Vieques and to ensure that Federal projects to address the challenges faced by Vieques are implemented in a timely fashion.

#### **Timeline**

The first meeting for the Vieques Sustainability Task Force is scheduled for April 2011.

### ***Solid Waste Strategy***

EPA launched the Puerto Rico Recycling Partnership on May 5, 2010 in collaboration with the Puerto Rico Solid Waste Management Authority and the Puerto Rico Environmental Quality Board. The main goal of the partnership is to establish a comprehensive waste reduction, composting, and recycling program throughout Puerto Rico. The Task Force recommends that the work of the partnership include Vieques. Vieques' current solid waste challenge presents an opportunity to establish a sustainable solid waste strategy based on an aggressive program of waste reduction, recycling, and composting. These strategies will not solve the entire waste problem, but they have the potential to remove or redirect at least half of the material that is destined for disposal facilities. This approach would also be more cost effective for the local government and would create new green jobs.

#### **Timeline**

A reliable waste reduction, recycling, and composting program for Vieques is scheduled to be established by early 2012.

### ***Health Care for Residents of Vieques***

Better health care facilities are an urgent need for the people of Vieques. The Task Force recommends that HHS work closely with the governments of Puerto Rico and Vieques to improve the quality of health care for the residents of Vieques. Among other things, the Task Force believes that a needs assessment should be completed to identify the most effective and efficient way to ensure that the people of Vieques receive the care, including expertise in environmental medicine, that they need.

In the near term, the Task Force recommends that HHS assist Vieques and PRDOH in exploring two programs that could improve health care on Vieques.

First, HHS and Puerto Rico should explore funding for health centers under the Health Center Program established by section 330 of the Public Health Service Act. In August 2010, HHS announced the avail-

## VIEQUES RECOMMENDATIONS

ability of up to \$250 million in New Access Points grants for the delivery of primary health care services for underserved and vulnerable populations under the Health Center Program. The funds, made available by the Affordable Care Act, will be awarded by the Health Resources and Services Administration. Additional health center funding opportunities under the Affordable Care Act will be available over the next 5 years. Vieques could partner with an existing health center (several of which are located on Puerto Rico's main island) to apply for health center funding. HHS is working with Puerto Rican officials as they consider their options.

Second, HHS and Puerto Rico should explore CAH designation. Certain facilities participating in Medicare can become critical access hospitals, which are eligible for reimbursement based on 101 percent of reasonable costs for treatment of Medicare beneficiaries. A hospital must meet certain criteria to be designated a CAH, including the following:

- Be located in a State (a category which, under section 210 of the Social Security Act, includes Puerto Rico) that has developed a Medicare Rural Hospital Flexibility Program;
- Be located in a rural area;
- Furnish 24-hour emergency care services, using either on-site or on-call staff;
- Provide no more than 25 inpatient beds that can be used for either inpatient or swing bed services; however, a CAH may also operate as a distinct part of a rehabilitation or psychiatric unit, each with up to 10 beds;
- Have an average annual length of stay of 96 hours or less; and
- Be located in an area more than 35 road miles from a similar hospital, or, in the case of mountainous terrain or in areas with only secondary roads, be more than 15 miles from a similar hospital.

This payment approach ensures small hospitals in rural areas will have their costs of caring for beneficiaries covered. The Medicare Improvements for Patients and Providers Act of 2008 further improved CAH payments by permitting CAHs to receive 101 percent of cost payments for lab services under certain conditions.

### Timeline

HHS should work with Puerto Rico to conduct a study of the health care needs of the people of Vieques and develop options for best addressing those needs.

In the short term, HHS Regional Office staff should continue working with PRDOH and Vieques officials to explore the feasibility of a section 330 health center program application. If this proves to be a viable option, it would be critical for PRDOH to support this effort and work with the Vieques community to develop a strong application, since the application process is considered extremely competitive.

Several steps must be completed before a facility can receive a CAH designation. The HHS Regional Office should continue to work with PRDOH to determine if the Centro de Salud de Familia facility in Vieques meets the statutory requirements for CAH designation. Receiving a CAH designation would require a longer time period.

***Clean and Renewable Energy Options***

The high cost of energy in Vieques—as in the rest of Puerto Rico—impedes economic development. Vieques, however, presents a unique opportunity to develop and deploy renewable energy technologies to meet its needs. Vieques' small size, its commitment to eco-tourism, its geographic location, and its modest energy needs (current electricity demand is only 3-7 MW) all contribute to this opportunity. For these reasons, Vieques, along with Culebra, has the potential to develop cost-effective new energy sources, thereby reducing greenhouse gases and creating clean energy jobs. Accordingly, the Task Force recommends that DOE begin exploring renewable energy opportunities to make Vieques a Caribbean Green Island.

Recognizing this potential, Governor Fortuño announced the Vieques Verde initiative and established a task force to explore whether Vieques could be a model project for Puerto Rico. DOE should provide energy efficiency and renewable energy technical assistance to Vieques to bring down the costs to energy users and improve the energy stability of the Island. Renewable generation can provide a clean source of power to fuel electric vehicles or to provide backup power in emergency situations. In addition, it can create green jobs for local residents. DOE is currently working with Puerto Rico to bring renewable energy options to Vieques through its investment of over \$500,000 in Recovery Act funds.

The Task Force recommends as a first step that DOE continue its work with the Puerto Rico and Vieques governments and PREPA to reduce the amount of energy used through efficiency measures such as solar water heaters, weatherization improvements, appliance rebate programs, and other proven cost-effective technologies.

In addition to work on reducing current energy use, the Task Force recommends that DOE, with the support of the Vieques Sustainability Task Force, work with Vieques to consider clean, renewable energy options that would lower electricity rates for businesses and consumers and create new jobs. To that end, DOE in coordination with the Vieques Sustainability Task Force should consider, among others, the following measures.

First, distributed renewable generation could provide backup power in emergency situations. For example, installing photovoltaic panels on schools and/or government buildings would allow them to provide emergency power and serve as shelters when needed. Having rooftop photovoltaic systems with battery backup would be equally important to provide homeowners power even when the grid is unavailable. Installing on-island renewable generation also could provide a clean source of power for electric vehicles or electric trolley systems.

Second, consideration should be given to deployment of highly energy efficient vehicles on Vieques. Such a step is fully consistent with Puerto Rico's commitment to the "Vieques Verde" Task Force, created in September 2010, to develop an electric vehicle infrastructure for Vieques.

Given its size, Vieques is ideal for an experiment in transportation alternatives. Vieques has 8,000 vehicles for a population of approximately 10,000 inhabitants. There are 30 miles of paved roads and 25 of unpaved roads. The gas fueling these vehicles is fed from mainland Puerto Rico.

With these numbers in mind, EAA is conducting studies as to whether small electric vehicles could meet the needs of a substantial amount of vehicle use on Vieques.



With minimal vehicle miles traveled and few elevation gains, a small electric vehicle (for example, a golf cart, scooter, or neighborhood electric vehicle) could meet the rental car needs for tourists as well as the needs for most residents. A rental program that would make it possible to rent electric cars by the hour or part-day could also reduce the need for ferrying vehicles for visitors. Starting a rental fleet program could create the initial market, and the used rental cars could then be sold to residents at a discount to keep the vehicles on Vieques. Another option is establishing a battery-swapping business, similar to the Better Place business model, which would serve the vehicle needs of Vieques.

An added benefit of using electric vehicles is the potential use of the battery storage in emergency situations or when the grid is unavailable. While this would not stop outages, it could increase the availability of power to residents, tourists, and businesses.

### Timeline

DOE's work with the Puerto Rico and Vieques governments to reduce the amount of energy used through energy efficiency measures is ongoing.

DOE should work with the Vieques Sustainability Task Force to consider energy efficiency and renewable energy options for Vieques within the first 6 months of that task force's existence. These efforts would complement DOE's work, pursuant to the Task Force's recommendation, to help develop a comprehensive plan for a new energy economy for Puerto Rico.

### ***Strengthening Vieques as a Green Tourist Destination***

Tourism holds great promise for job creation and economic growth on Vieques. Vieques has already begun to promote itself as a destination for eco-tourism, and its beaches and famous bioluminescent bay are major draws. Consistent with the Puerto Rico government's overall strategy for environmental sustainability and the Island's current efforts, there is potential for a robust tourist economy, with an emphasis on green hotels and inns. The Task Force recommends particular steps to increase the potential for sustainable tourism on Vieques.

### ***Watershed Protection of Bioluminescent Bay***

The Task Force recommends that EPA develop a plan to protect Mosquito Bay, an ecologically unique bioluminescent bay in Vieques. Creating areas that can be marketed as eco-tourism destinations enhances the economy of the area while creating green jobs. The Puerto Rico Department of Natural and Environmental Resources is developing a management plan for the Mosquito Bay Natural Reserve. The draft was circulated for public comment and is being finalized; when complete, it will be submitted to the Puerto Rico Planning Board for adoption. NOAA is also supporting the development of a management plan for Vieques, which is in the early stages of development.

EPA issued a Request for Proposals on September 29, 2010, entitled "Restoration and Protection of the Pyrodinium Bahamesense Var in the Vieques Bay Nature Reserve." EPA has solicited proposals from eligible entities for the development of site-specific innovative demonstration projects that would reduce sediment, pesticide runoff, and/or nutrient loading in Mosquito Bay. The total funding available for this competitive opportunity is \$75,000.

#### **Timeline**

The closing date for EPA's request for proposals for site-specific demonstration projects was November 30, 2010. The selection and complete grant process is estimated to be completed by April 2011.

### ***Green Hospitality Initiative***

Because of the tropical beauty of Vieques, the hotel and hospitality industry is poised to grow and create numerous new jobs. The Governor has already announced his version of "Triangulo Verde"—the green triangle that consists of Vieques, Ceiba, and Culebra. These communities have the potential to be green tourist destinations.

As discussed in the Travel and Tourism subsection, EPA has launched a green hospitality initiative in partnership with Puerto Rican government agencies, such as the Puerto Rico Tourism Company. The Task Force recommends that Vieques be included in the agreement to encourage third-party green certification for its hotels and restaurants.

EPA has a range of tools available, including Federal programs such as Waste Wise, Energy Star, Water Sense, and others that would allow EPA to partner with the hospitality industry on Vieques. Information about these programs is available on EPA's Pollution Prevention website, titled "Greening the Hospitality Industry." There is also a list of certification programs by which the hospitality industry can receive green certification. Participating in a green hospitality certification program would encourage tourism, an area that holds tremendous promise for job creation.

#### **Timeline**

EPA should select the hotels and restaurants that will be a part of the green hospitality initiative in 2011. EPA then should work with these facilities to assist them in meeting their certification requirements on an ongoing basis. As the program moves forward, more facilities should be added to the initiative.



## Next Steps for the Task Force

The Task Force values the momentum that has been created within the Obama Administration through the process of meeting with Puerto Rican citizens and their leaders, developing recommendations across the Administration, and drafting this Report. The existence of the Task Force and its mandate to submit a report to the President and Congress has energized many Federal agencies into developing collaborations with Puerto Rico, which, in turn, have resulted in meaningful projects with the potential to advance infrastructure and economic development on the Island.

Task Force members will work on the implementation of these recommendations and will report back to the Task Force as a whole on their progress. The Task Force will monitor execution and completion of the recommendations laid out in this Report. Furthermore, the Task Force looks forward to further study and implementation of additional economic recommendations it received during the course of its consultation with stakeholders in Puerto Rico and on the mainland.

In order to advance the conversation on some of the key sectors that the Task Force has identified as priorities, the Task Force plans to conduct at least two summits in Puerto Rico over the next year to focus on individual subject areas. Possible topics include education, energy, the environment, health care, or law enforcement.

The Task Force contemplates a cross-cutting and cross-agency approach to these topics. For example, a summit on education would include senior representatives from ED, DOJ, HUD, USDA, and other agencies. The Task Force recognizes that drawing on the knowledge and skills of Federal officials with different areas of expertise is essential to developing comprehensive, multipronged solutions to the specific challenges facing Puerto Rico.

Representatives from the Puerto Rico government, members of community-based organizations, and other Puerto Ricans interested in the specific issues would also be invited to attend and participate in the summits—providing an arena for collaboration between Federal and local governments and public and private sectors—with the goal of achieving sustainable resolution of these issues.

To demonstrate its commitment to this next step, the Task Force plans to convene a summit on education during the first half of 2011, with senior-level participation from Cabinet agencies, as well as key officials and stakeholders from Puerto Rico. The summit would spotlight the state of education in Puerto Rico, problem solve about how to improve educational outcomes, and identify specific ways in which the Administration's emphasis on education can continue to support Puerto Rico. The Task Force anticipates that this would be the first of several events that continue the important work of ensuring that the Obama Administration is deeply engaged in the advancement of Puerto Rico for the long term.





## Conclusion

In carrying out its work, the Task Force has strived to be as faithful as possible to its mission as outlined in President Obama's Executive Order.

The President's commitment both to move forward on the question of Puerto Rico's status and to work toward its economic growth has guided the Task Force throughout its deliberative process. This Report reflects the enthusiastic, creative, and committed effort of the many Federal stakeholders who have collaborated over countless hours to communicate this Administration's commitment to Puerto Rico in one clear voice. But more important, this Report represents meaningful reflection upon the sentiments expressed in the hundreds of letters, prepared statements and testimonials, e-mail submissions, and verbal declarations provided by the people of Puerto Rico and their civil, legislative, and political leaders and supporters. The members of the Task Force are optimistic that, after a thoughtful and fair process, which included public hearings in Puerto Rico and at the White House, this Report harmonizes these important and varied elements.

While the President expanded the Task Force's mission beyond the original sole focus on Puerto Rico's political status, the status issue has been central to the Task Force's work. Both in San Juan and Washington, D.C., the Task Force heard how important the issue is to the people of Puerto Rico and delved into its many complex facets. The Task Force's recommendations reaffirm that, ultimately, the question of Puerto Rico's status is a matter on which the people of Puerto Rico should express their will. At the same time, the Task Force acknowledges that, to assist the people of Puerto Rico to meaningfully express their will, the Federal Government should provide clarity about the alternatives available to them. The Task Force made every effort to address this challenge in a way that can advance a resolution of this important issue in the most fair and respectful manner possible. While we cannot expect that all stakeholders—or perhaps any stakeholders—will be entirely pleased at the result, we do hope that they will find that it was fairly and thoughtfully done.

In carrying out the second part of its mandate, the Task Force was greatly aware of the key economic issues on the Island. Stakeholders across Puerto Rican society expressed their concern over the economic hurdles facing the Island. But the Task Force also heard their profound hope and optimism based on the Island's tremendous resources—beautiful beaches, bioluminescent bays, and great potential to develop into a regional center for health, commerce, and clean, renewable energy. The Task Force asserts what many stakeholders expressed: Puerto Rico, given sufficient support and opportunity, could become an economic hub for the Americas. For the United States, Puerto Rico is a natural bridge for partnerships with the emerging economies of Latin America.

To achieve this ambitious goal, the Task Force recommends that the President work with Congress to help Puerto Rico develop an economic strategy that begins to lay down the building blocks for growth and orient its economy toward industries and supporting institutions that will create jobs and generate economic expansion. The Task Force sought to focus on collaboration, partnerships, and policies that are consistent with those currently being developed on the Island.

Any relationship that spans a century is bound to have highlights and setbacks; the relationship between the United States and Puerto Rico is no exception. There can be no question that their intertwined histories have shaped the mainland and the Island in myriad ways. The Task Force hopes that its work will be a catalyst for sustained economic growth and decisive action which will empower the people of Puerto Rico to determine their political future.



# List of Acronyms

<b>ADA</b>	Americans with Disabilities Act
<b>ADAAA</b>	ADA Amendments Act
<b>AFWTA</b>	Atlantic Fleet Weapons Training Area
<b>ARRA</b>	American Recovery and Reinvestment Act
<b>ATSDR</b>	U.S. Department of Health and Human Services, Agency for Toxic Substances and Disease Registry
<b>BEA</b>	U.S. Department of Commerce, Bureau of Economic Analysis
<b>BLS</b>	U.S. Department of Labor, Bureau of Labor Statistics
<b>BTOP</b>	U.S. Department of Commerce, Broadband Technology Opportunities Program
<b>BVI</b>	British Virgin Islands
<b>CAH</b>	Critical Access Hospital
<b>CBIG</b>	Caribbean Border Interagency Group
<b>CBP</b>	U.S. Department of Homeland Security, Customs and Border Protection
<b>CBSI</b>	Caribbean Basin Security Initiative
<b>CDC</b>	U.S. Department of Health and Human Services, Centers for Disease Control and Prevention
<b>CMS</b>	U.S. Department of Health and Human Services, Centers for Medicare & Medicaid Services
<b>CTP</b>	Corporation for Travel Promotion
<b>CWA</b>	Clean Water Act
<b>DHS</b>	U.S. Department of Homeland Security
<b>DOC</b>	U.S. Department of Commerce
<b>DOD</b>	U.S. Department of Defense
<b>DOE</b>	U.S. Department of Energy
<b>DOI</b>	U.S. Department of the Interior
<b>DOJ</b>	U.S. Department of Justice
<b>DOL</b>	U.S. Department of Labor
<b>DSH</b>	Disproportionate Share Hospital
<b>EAA</b>	Puerto Rico Energy Affairs Administration

<b>ED</b>	U.S. Department of Education
<b>EDA</b>	U.S. Department of Commerce, Economic Development Administration
<b>EDIN</b>	Energy Development in Island Nations
<b>EEOC</b>	U.S. Equal Employment Opportunity Commission
<b>EPA</b>	U.S. Environmental Protection Agency
<b>ESEA</b>	Elementary and Secondary Education Act
<b>FBI</b>	U.S. Department of Justice, Federal Bureau of Investigation
<b>FLSA</b>	Fair Labor Standards Act
<b>FMAP</b>	Federal Medical Assistance Percentage
<b>FY</b>	Fiscal Year
<b>GDB</b>	Government Development Bank for Puerto Rico
<b>GDP</b>	Gross Domestic Product
<b>GEF</b>	Green Energy Fund
<b>HCEI</b>	Hawaii Clean Energy Initiative
<b>HHS</b>	U.S. Department of Health and Human Services
<b>HIDTA</b>	High Intensity Drug Trafficking Areas
<b>HUD</b>	U.S. Department of Housing and Urban Development
<b>IBP</b>	Integrated Bio-Refinery Project
<b>IDEA</b>	Individuals with Disabilities Education Act
<b>ISU</b>	Implementation and Support Unit
<b>ITA</b>	U.S. Department of Commerce, International Trade Administration
<b>ITI</b>	International-to-International
<b>JVSG</b>	Jobs for Veterans State Grants
<b>kWh</b>	Kilowatt Hour
<b>LEA</b>	Local Education Agency
<b>LEP</b>	Limited English Proficient
<b>LMM</b>	Luis Muñoz Marín International Airport
<b>LRA</b>	Local Redevelopment Authority
<b>LSP</b>	Limited Spanish Proficient
<b>LWIA</b>	Local Workforce Investment Area

## LIST OF ACRONYMS

<b>LWIB</b>	Local Workforce Investment Board
<b>MBDA</b>	U.S. Department of Commerce, Minority Business Development Agency
<b>MDCP</b>	U.S. Department of Commerce, Market Development Cooperator Program
<b>MOA</b>	Memorandum of Agreement
<b>MS4</b>	Municipal Separate Storm Sewer System
<b>MTSA</b>	Maritime Transportation Security Act
<b>MW</b>	Megawatt
<b>NAP</b>	Nutrition Assistance Program
<b>NOAA</b>	U.S. Department of Commerce, National Oceanic and Atmospheric Administration
<b>NPL</b>	National Priorities List
<b>NRB</b>	National Resource Bank
<b>NREL</b>	U.S. Department of Energy, National Renewable Energy Laboratory
<b>NSRR</b>	Naval Station Roosevelt Roads
<b>NTIA</b>	U.S. Department of Commerce, National Telecommunications and Information Administration
<b>OAS</b>	Organization of American States
<b>OFCCP</b>	U.S. Department of Labor, Office of Federal Contract Compliance Programs
<b>OPPI</b>	Oficina del Procurador de Personas con Impedimentos (Office of the Advocate for Persons with Disabilities)
<b>OSEP</b>	U.S. Department of Education, Office of Special Education Programs
<b>OSHA</b>	Occupational Safety and Health Administration
<b>OTTI</b>	U.S. Department of Commerce, Office of Travel and Tourism Industries
<b>POA</b>	Puerto de Las Américas (Port of the Americas)
<b>PRASA</b>	Puerto Rico Aqueduct and Sewer Authority
<b>PRDE</b>	Puerto Rico Department of Education
<b>PRDOH</b>	Puerto Rico Department of Health
<b>PRDOLHR</b>	Puerto Rico Department of Labor and Human Resources
<b>PREPA</b>	Puerto Rico Electric Power Authority
<b>PRFAA</b>	Puerto Rico Federal Affairs Administration
<b>PRIDCO</b>	Puerto Rico Industrial Development Company
<b>RPS</b>	Renewable Portfolio Standard

<b>SABI</b>	Sustainable AgroBiotech, LLC
<b>SBA</b>	U.S. Small Business Administration
<b>SDWA</b>	Safe Drinking Water Act
<b>SEA</b>	State Education Agency
<b>SEP</b>	U.S. Department of Energy, State Energy Program
<b>SME</b>	Small and Medium-sized Enterprise
<b>SPP/APR</b>	State Performance Plan and Annual Performance Reports
<b>SSI</b>	Supplemental Security Income
<b>SWTR</b>	Surface Water Treatment Rule
<b>TEU</b>	Twenty-foot Equivalent Unit
<b>TPA</b>	Travel Promotion Act
<b>TSA</b>	U.S. Department of Homeland Security, Transportation Security Administration
<b>TWOV</b>	Transit Without Visa
<b>UPR</b>	University of Puerto Rico
<b>USACE</b>	U.S. Army Corps of Engineers
<b>USDA</b>	U.S. Department of Agriculture
<b>USEAC</b>	U.S. Export Assistance Center
<b>USVI</b>	U.S. Virgin Islands
<b>VA</b>	U.S. Department of Veterans Affairs
<b>VETS</b>	U.S. Department of Labor, Veterans' Employment and Training Service
<b>VRA</b>	Puerto Rico Vocational Rehabilitation Administration
<b>WAP</b>	U.S. Department of Energy, Weatherization Assistance Program
<b>WAPA</b>	U.S. Virgin Islands Water and Power Authority
<b>WHD</b>	U.S. Department of Labor, Wage and Hour Division



## Endnotes

- <sup>1</sup> This Jones Act refers to the Jones-Shafroth Act, which amended the Foraker Act.
- <sup>2</sup> Memorandum for the Heads of Executive Departments and Agencies, 57 Fed. Reg. 57,093 (Nov. 30, 1992).
- <sup>3</sup> At this writing, the Administration's initiative to align and aggregate public and private funds to provide access to a "one-stop shop" of national experts throughout the country is being finalized. While "Cities in Transition" is the current name for the initiative, this name may change.
- <sup>4</sup> U.S. Department of Education Institute of Education Science, The National Center for Education Statistics, available at <http://nces.ed.gov/ccd/bat/> (customized search: Common Core of Data: "Local Education Agency Universe Survey," 2008-09; "Public Elementary/Secondary School Universe Survey," 2008-09; "State Nonfiscal Survey of Public Elementary/Secondary Education," 2008-09).
- <sup>5</sup> *Ibid.*
- <sup>6</sup> These statistics are available at [http://nces.ed.gov/programs/digest/d09/tables/dt09\\_105.asp](http://nces.ed.gov/programs/digest/d09/tables/dt09_105.asp).
- <sup>7</sup> As reported to the U.S. Department of Education by the Puerto Rico Department of Education through the Consolidated State Performance Report.
- <sup>8</sup> These statistics are available at <http://nces.ed.gov/pubs2010/2010326.pdf>, Table 1.
- <sup>9</sup> Section 3128 of the ESEA (emphasis supplied).
- <sup>10</sup> This statistic is available at [http://factfinder.census.gov/servlet/STTable?\\_bm=y&-state=st&-context=st&-qr\\_name=ACS\\_2009\\_1YR\\_G00\\_S1811&-ds\\_name=ACS\\_2009\\_1YR\\_G00\\_&-tree\\_id=309&-\\_caller=geoselect&-geo\\_id=04000US72&-format=&-\\_lang=en](http://factfinder.census.gov/servlet/STTable?_bm=y&-state=st&-context=st&-qr_name=ACS_2009_1YR_G00_S1811&-ds_name=ACS_2009_1YR_G00_&-tree_id=309&-_caller=geoselect&-geo_id=04000US72&-format=&-_lang=en).
- <sup>11</sup> U.S. Census Bureau, *American Community Service Brief, Poverty: 2008 and 2009* (September 2010). Available at <http://www.census.gov/prod/2010pubs/acsbr09-1.pdf>.
- <sup>12</sup> Peterson, A., et al., *Implementing SNAP in Puerto Rico: A Feasibility Study*. Prepared by Insight Policy Research under Contract No. AG-3198-C-09-0001. Alexandria, VA: United States Department of Agriculture, Food and Nutrition Service (2010).
- <sup>13</sup> Burtless, G. and Sotomayor, O., "Effect of Public Transfers on Labor Supply", in S.M. Collins, B.P. Bosworth, and M.A. Soto-Class (Eds.), *The Economy of Puerto Rico: Restoring Growth* (pp. 82-151). Washington, D.C.: The Brookings Institution (2006).
- <sup>14</sup> A Local Workforce Investment Area (LWIA) is a sub-state region where Workforce Investment Area services are provided. Each LWIA is supposed to have a private sector led Local Workforce Investment Board (LWIB) that sets workforce development policies and develops the strategic plan. The LWIB is supposed to be made up of private sector and public sector members with a majority of members representing business. The chair must be a representative of business. The LWIB coordinates the economic, education and employment (e3) strategic planning in the local area.

<sup>15</sup> U.S. Department of Labor, Occupational Safety and Health Administration, Region II, New York (2009). Puerto Rico Department of Labor, Puerto Rico Occupational Safety and Health Administration Enhanced Federal Annual Monitoring Evaluation Baseline Special Evaluations Report, October 1, 2008 - September 30, 2009. The report is available at <http://osha.gov/dcsp/osp/efame/puertorico.html>.

<sup>16</sup> Section 18 of the Occupational Safety and Health Act of 1970 encourages States to develop and operate their own job safety and health programs. The Federal Occupational and Safety Health Administration approves and monitors State plans and provides up to 50 percent of an approved plan's operating costs. There are currently 22 States and jurisdictions operating complete State plans (covering both the private sector and State and local government employees) and five (Connecticut, Illinois, New Jersey, New York and the Virgin Islands) that cover public employees only. (Eight other States were approved at one time but subsequently withdrew their programs.) More information on the State plans is available at <http://www.osha.gov/dcsp/osp/index.html>.

<sup>17</sup> The report is available at <http://osha.gov/dcsp/osp/efame/puertorico.html>.

<sup>18</sup> Data for 2009 are preliminary. Fatality rates for Puerto Rico and the mainland United States are calculated using different data sources and may not be directly comparable. Data for Puerto Rico are calculated using employment data from Censo de Muertes Ocupacionales.

Data for the United States are available from the Census of Fatal Occupational Injuries (<http://www.bls.gov/iif/oshcfoi1.htm>). Because of the difference in data sources and because fatality rates may differ across jurisdictions due to unique industry and occupation mixes within those jurisdictions, comparisons between Puerto Rico and national rates should be made with caution. For more information on the calculation of the Bureau of Labor Statistics (BLS) fatal injury rates, see the BLS Handbook of Methods, Chapter 9, Occupational Safety and Health Statistics at [http://www.bls.gov/opub/hom/homch9\\_a.htm#fatal\\_injury](http://www.bls.gov/opub/hom/homch9_a.htm#fatal_injury).

<sup>19</sup> State Occupational Injuries, Illnesses, and Fatalities: Puerto Rico. These data are available at <http://www.bls.gov/iif/oshstate.htm#PR>.

<sup>20</sup> Incidence rates of nonfatal occupational injuries and illnesses involving days away from work are derived from the BLS Survey of Occupational Injuries and Illnesses. Incidence rates for the mainland United States are available at <http://www.bls.gov/iif/oshwc/osh/os/ostb2435.pdf>, while rates for Puerto Rico are available at <http://www.bls.gov/iif/oshwc/osh/os/pr096pr.pdf>.

<sup>21</sup> These calculations are based on 2009 Puerto Rico Community Survey microdata.

<sup>22</sup> BLS defines "labor force" as: All persons classified as employed or unemployed. An unemployed person is someone who had no employment during the period, was available for work, and had made specific efforts to find employment. The definition is available at <http://www.bls.gov/bls/glossary.htm>.

<sup>23</sup> The 19 percent unemployment rate for 2009 is derived from the 2009 Puerto Rico Community Survey. Estimates from BLS' Local Area Unemployment Statistics program, which are derived from a monthly household survey similar to the Current Population Survey, place the unemployment rate at 15.0 percent in 2009. A variety of factors account for this difference, including overall questionnaire differences, dif-

## ENDNOTES

fering requirements in the two surveys with regard to whether an individual is actively looking for work, and differing reference periods, modes of collection, and population controls.

<sup>24</sup> These figures are from the Informe Censo 2009, Censo de Personas Sin Hogar, Evaluación de Datos Obtenidos, which is available at [http://tendenciaspr.uprrp.edu/Poblacion/Deambulantes/Informe%20Deambulantes%20\\_2009.pdf](http://tendenciaspr.uprrp.edu/Poblacion/Deambulantes/Informe%20Deambulantes%20_2009.pdf).

<sup>25</sup> Data in this paragraph for Puerto Rico and the mainland United States are derived from public-use microdata from the 2009 Puerto Rico Community Survey and 2009 American Community Survey, respectively.

<sup>26</sup> These figures are based on budget reports for the agency, available at <http://ogp.gobierno.pr>.

<sup>27</sup> This statistic is available at [http://aspe.hhs.gov/medicaid/oct/Puerto\\_Rico\\_081705.pdf](http://aspe.hhs.gov/medicaid/oct/Puerto_Rico_081705.pdf).

<sup>28</sup> U.S. Government Accountability Office Report available at <http://www.gao.gov/new.items/d09558r.pdf>.

<sup>29</sup> U.S. Agency for International Development/Pan American Health Organization, Health Systems Profile, Puerto Rico: Monitoring and Analysis, Health Systems Change/Reform (September 2007).

<sup>30</sup> *Ibid.*

<sup>31</sup> These statistics are available at [http://www2.fbi.gov/ucr/cius2009/data/table\\_05.html](http://www2.fbi.gov/ucr/cius2009/data/table_05.html); [http://www2.fbi.gov/ucr/cius2008/data/table\\_05.html](http://www2.fbi.gov/ucr/cius2008/data/table_05.html); [http://www2.fbi.gov/ucr/cius2007/data/table\\_05.html](http://www2.fbi.gov/ucr/cius2007/data/table_05.html).

<sup>32</sup> These statistics are available at <http://www.gobierno.pr/NR/rdonlyres/D554FE83-DD2B-4E2D-AC1F-BA51CE8675FF/0/2daQuincenaDic.pdf> at 14.

<sup>33</sup> Superintendencia Auxiliar de Operaciones Estratégicas (Strategic Operations, Office of the Superintendent Associate), Puerto Rico Police Department.

<sup>34</sup> These statistics are available at [http://www2.fbi.gov/ucr/cius2009/data/table\\_01.html](http://www2.fbi.gov/ucr/cius2009/data/table_01.html); [http://www2.fbi.gov/ucr/cius2009/data/table\\_05.html](http://www2.fbi.gov/ucr/cius2009/data/table_05.html); [http://www2.fbi.gov/ucr/cius2008/data/table\\_05.html](http://www2.fbi.gov/ucr/cius2008/data/table_05.html); [http://www2.fbi.gov/ucr/cius2007/data/table\\_05.html](http://www2.fbi.gov/ucr/cius2007/data/table_05.html); [http://www.fbi.gov/about-us/cjis/ucr/crime-in-the-u.s/2010/preliminary-crime-in-the-us-2009/prelimiucrjan-jun\\_10\\_excels/table-3](http://www.fbi.gov/about-us/cjis/ucr/crime-in-the-u.s/2010/preliminary-crime-in-the-us-2009/prelimiucrjan-jun_10_excels/table-3); <http://www.gobierno.pr/NR/rdonlyres/D554FE83-DD2B-4E2D-AC1F-BA51CE8675FF/0/2daQuincenaDic.pdf> at 14.

Trends in most violent crimes in Puerto Rico increased from 2007 to 2009, although there seems to be some reversal to this trend in 2010 according to the Puerto Rico Police Department statistics.

<sup>35</sup> Law 82 of 2010 (Law for Energy Diversification by Means of Sustainable Renewable Energy) adopts a Renewable Portfolio Standard (RPS) and establishes targets for reduction in conventional energy use and increased use of renewable energy. Eligible energy resources fall into two categories. The first category is “Sustainable Renewable Energy Resources,” which includes solar, wind, geothermal, and renewable biomass. The second category, “Alternative Renewable Energy Resources,” includes landfill gas, municipal solid waste, anaerobic digestion, and fuel cells.

Law 82 focuses on producing 12 percent renewable energy by 2015, 15 percent by 2020, and an ultimate goal of reaching 20 percent of energy production through renewable means by 2035. Law 82 also establishes Renewable Energy Credits as the main financial mechanisms to

achieve these goals and validates them as legally recognized assets that can be purchased, sold, traded, and transferred separately from electric power. The newly created Comisión de Energía Renovable (Renewable Energy Commission) within the Energy Affairs Administration will be responsible for overseeing the implementation of and compliance with the RPS. Law 83 of 2010 (Energy Tax Incentives Act of Green Puerto Rico) creates a Green Energy Fund (GEF) through which the Puerto Rico government will co-invest \$290 million in green energy projects over the next 10 years in order to incentivize generation and to create a new clean energy industry. Law 83 also provides incentives for stakeholders by providing a 50 to 60 percent cash rebate for the cost of installing residential and industrial renewable energy projects not exceeding 1 megawatt in capacity. The GEF also provides flexibility for the Puerto Rico government to establish new investment or incentive programs in the future.

Executive Order No. 2010-034 issued in July 2010 declares an “emergency with respect to the electricity energy generation infrastructure of Puerto Rico” and orders all executive branch agencies to follow an expedited permitting process when considering permit applications for sustainable and alternative renewable energy projects.

<sup>36</sup> Law 182 of 2009, Executive Branch Reorganization and Modernization Reform Act, (December 17, 2009).

<sup>37</sup> Puerto Rico Electric Power Authority (PREPA), Report on the Energy Diversification Strategic Plan to the U.S. Department of Energy (August 16, 2010).

<sup>38</sup> These statistics are available at [http://www.eia.doe.gov/electricity/epm/table5\\_6\\_b.html](http://www.eia.doe.gov/electricity/epm/table5_6_b.html).

<sup>39</sup> PREPA, Update on Strategic Plan (October 2010).

<sup>40</sup> U.S. Department of Commerce, International Trade Administration Presentation by Under Secretary of Commerce for International Trade (August 2010).

<sup>41</sup> Puerto Rico Federal Affairs Administration (PRFAA): Report on Progress of the Fiscal and Economic Reconstruction of Puerto Rico (Oct. 2, 2009).

<sup>42</sup> TEU is a capacity measurement used in container transportation.

<sup>43</sup> PRFAA, Report on Progress of the Fiscal and Economic Reconstruction of Puerto Rico.

<sup>44</sup> This report is available at <http://www.salud.gov.pr/RCancer/Documents/Informe%20Cancer%20en%20Vieques%20Completo%20Revisado%20Noviembre%2030,%202009%20publicar.pdf>.



